Green Street

Asset-Backed Alert

THE WEEKLY UPDATE ON WORLDWIDE SECURITIZATION

FEBRUARY 26, 2021

Pandemic Relief Weighing on Asset Supply

With asset-backed bond volume lagging, market professionals increasingly are singling out coronavirus relief as a culprit.

The issue: Stimulus payments and expanded unemployment benefits already have enabled would-be borrowers to forgo taking out new loans that might have served as bond collateral in recent months. And with another round of checks on the verge of distribution, it's likely that the supply of ready-to-securitize cashflows will get even tighter.

The result is a sentiment that new-deal volume is more likely to shrink than it is to grow.

The outlook echoes a quandary market participants already have been facing. Amid strong overall conditions in the bond market — in part a reflection of government-aided liquidity — many issuers recently have tapped into healthy investor demand by increasing the sizes of their deals during marketing. But their abilities to take full advantage of the environment has remained limited by a

See RELIEF on Page 8

Education Lenders Develop Libor Strategy

A wave of student-loan resecuritizations is building, with deal sponsors planning to call older bonds that lack robust provisions for the phaseout of Libor.

In each case, the issuer would retire securities whose collateral accounts were written under the **U.S. Department of Education's** Federal Family Education Loan Program and bundle the receivables into new deals. **Kentucky Higher Education Student Loan Corp.** led off with a $422.6 million transaction that priced on Nov. 19 with **Bank of America** running the books.

The offering, rated by **S&P** and **DBRS Morningstar,** was backed by FFELP receivables from one securitization Kentucky Higher Education priced in 2010 and two issues it completed in 2013. The organization called those securities from June to September of last year.

Now, other state agencies and nonprofit operations including **Higher Education Loan Authority of the State of Missouri, New Mexico Educational Assistance**

See EDUCATION on Page 7

Vaccine Shortfalls Could Derail SFVegas

The slow rollout of coronavirus vaccines could doom the **Structured Finance Association's** signature Las Vegas conference this year.

Already rescheduled twice since the pandemic's onset, "SFVegas 2021" currently is set to run from July 25 to July 28 at the Aria Resort & Casino. The SFA chose those dates based on the expectation that much of the U.S. population would be vaccinated by May, creating the herd immunity necessary to host large gatherings.

But with fewer than 1 in 5 Americans inoculated to date — and with just 10% of the populations of Canada and Europe having been vaccinated — the SFA is considering another postponement or the cancelation of the event altogether.

SFA chief executive **Michael Bright** said the trade group has been polling its sponsors this week and will continue to do so into next week. "The industry is so eager to meet we are still working with our sponsors to figure out what they want

See VACCINE on Page 4

THE GRAPEVINE

Collateralized loan obligation trader **Joseph Guzzi** exited **Amherst Pierpont** this month to become head CLO trader at **Jefferies.** Guzzi, who is stationed in New York, had been at Amherst since 2017. Before that, he spent five years at **Guggenheim,** with earlier stops at **Lehman Brothers** and **Fleet Bank.**

Laurel Davis, a key player in the development of **Fannie Mae's** risk-transfer program, assumed a new role last month. She is now a Washington-based senior vice president responsible for setting Fannie's environmental, social and governance agenda. Davis previously was a vice president responsible for creating, underwriting and pricing some $47 billion of securities that transferred the risk of defaults on mortgages the agency insures. Fannie has been largely absent from the risk-transfer market since the

See GRAPEVINE on Back Page

MFA Clearing Out Old Mortgages

With its balance sheet still heavy on mortgages written before the coronavirus crisis, **MFA Financial** has a few more securitizations of those holdings on the way.

While the New York REIT has yet to finalize its offering schedule, sources said the goal is to lock in funding for a little more than $1 billion of the receivables in the coming months. That suggests three such transactions are in the pipeline, based on a projected deal size of $350 million apiece.

The bonds would be backed by loans that don't meet the **Consumer Financial Protection Bureau's** qualified-mortgage guidelines.

The idea is that by clearing out pre-pandemic accounts, MFA could make way for more purchases of new non-qualified loans that it also would securitize. After tempering its acquisitions in the sector at the height of the crisis, the operation has aggregated about $100 million of fresh non-qualified accounts this year while tapping repurchase facilities for most of its resulting funding needs.

MFA started securitizing non-qualified mortgages last year, selling a combined $1.3 billion of bonds backed predominantly by pre-pandemic receivables. Including offerings backed by fresh loans, expectations are that the operation's output in the sector could approach $2 billion in 2021.

MFA's most recent offering of non-qualified mortgage securities was a $359.3 million issue that priced on Dec. 4 with **Barclays** and **Credit Suisse** sharing bookrunning duties. The REIT also has issued securities backed by reperforming mortgages and just this January completed its first offering of bonds underpinned by loans to residential-property investors.

The non-qualified mortgage sector has produced 11 new securitizations totaling $2.9 billion this year, a portion resulting from a strategy in which issuers have sought to take advantage of low funding costs by exercising call options on older deals and resecuritizing the underlying receivables. Spreads on new triple-A-rated bonds with two-year lives in the sector had been on a tightening trend coming into this month, but recently have begun to widen. Still, they remain narrower than the 75 bp over Libor that MFA paid on a two-year senior piece of its December transaction.

Last year, issuers completed 58 non-qualified mortgage securitizations totaling $17.5 billion, according to **Asset-Backed Alert's** ABS Database. ❖

Non-QM Buyers Gain Upper Hand

Investors are suddenly finding themselves with the power to negotiate for higher yields on bonds backed by non-qualified mortgages.

In a reversal of conditions in which investors had little choice but to accept ever-shrinking returns on new offerings, spreads began to widen this month as buy-siders pushed back. In many ways, the shift tracked a broad trend in which expectations of simultaneous economic growth and inflation recently have caused bond yields to rise.

But for so-called non-QM securities, whose underlying loans don't meet the **Consumer Financial Protection Bureau's** qualified-mortgage rules, technicals also are coming into play.

Even with investor appetite recovering strongly in the wake of the coronavirus outbreak, annual sales of new non-qualified mortgage bonds were down by almost a fifth in 2020 as the pandemic disrupted originators' funding channels and in many cases paused lending programs. With the balance between supply and demand tipping in favor of issuers as a result, spreads entered a long tightening pattern.

Those conditions carried into this year, with no deals hitting the market between a $248.9 million transaction from **Angel Oak Mortgage** on Dec. 18 and a $151.9 million issue from **Caliber Home Loans** on Jan. 8. Dealflow has been growing since then, however, with even more offerings in the pipeline.

Seven non-qualified mortgage securitizations totaling $1.6 billion priced this month, up from four transactions for $1.3 billion in January, according to **Asset-Backed Alert's** ABS Database. Among the recent entries was a Feb. 18 deal from **Ellington Management** that industry participants are pointing to as the first sign that investors are gaining bargaining power.

When that $250.5 million issue hit the market, **Credit Suisse** and **Nomura** were shopping its top piece at 50 bp over swaps. The class, encompassing $188.7 million of triple-A-rated notes with two-year lives, priced at 55 bp. "Plus 50 was just too tight. We hit our resistance level," one investor said.

"It was only 5 bp more, but we finally got something back," another buy-sider said.

A Feb. 23 deal from Credit Suisse showed a continuation of the widening. With a similar slice of that $252.7 million issue selling at 57 bp over swaps, a third investor said he could see spreads of 65 bp to 70 bp taking hold in March.

Seer Capital additionally priced the two-year senior component of a $118.9 million issue via Credit Suisse on Feb. 22 at 62 bp over swaps.

The widening is taking place at a time when investors across the fixed-income market are demanding higher returns today as compensation for the risk of erosion in the values of their future cashflows. The 10-year Treasury yield, for example, surged to 1.6% this week for the first time in a year.

That increase also was reflected in a jump in mortgage rates, which are closely tied to Treasurys. And with rates up and a third round of stimulus checks potentially on the way, mortgage-application volume for home-purchasing and refinancing purposes recently fell — a factor that could limit the potential for growth in securitization volume. ❖

Libor 'Fix' Adds to Basis Threat

Structured-product professionals remain concerned about interest-rate mismatches that would occur as deals switch to new benchmarks amid Libor's phaseout.

The worries, which are particularly prominent for collateralized loan obligations, stem from the possibility that the bonds would be slower than the collateral backing them to move to new pegs. That's despite proposed legislation that promises to ease the transition away from Libor for the bonds themselves.

In fact, one potential source of so-called basis risk is a measure that New York Gov. **Andrew Cuomo** floated on Jan. 19. That's because the proposal includes a spread adjustment intended to compensate for differences between Libor and the Secured Overnight Financing Rate, the preferred choice of the **Federal Reserve's** Alternative Reference Rates Committee.

The spread adjustment is also included in recommended fallback language from the Fed committee. And federal legislation under discussion presumably would include a similar provision.

The adjustment would be based on the difference between Libor and SOFR over a five-year period. Because that gap currently is wider than it has been for most of the past five years, the expectation is that it will translate to higher absolute interest rates for floating-rate structured products and their underlying receivables when they switch away from Libor.

At the same time, there will be an incentive to refinance both the liabilities and the assets.

For floating-rate securitizations, basis risk typically refers to the possibility that the interest produced by a collateral pool will move in a different direction or at a different speed than the issuer's funding costs. It's a particular threat for CLOs because the deals can't reprice as quickly as their underlying leveraged loans.

"Like instant coffee, a five-year lookback [for the spread adjustment] seems like a good idea until you think about it," said **Peter Sallerson,** a senior director at **Moody's Analytics.** "It's a credit spread, so current levels are what matters since the rest of the market will be at current levels."

Some clients have asked Moody's Analytics to model the impact of the transition to SOFR on their CLO holdings. The ability of those deals' assets to reprice faster and at lower costs than the liabilities is among its areas of focus.

The Moody's unit also is looking at the potential impact on CLOs should their collateral loans move to different versions of SOFR than those used as bond benchmarks. Other risks include whether CLOs can maintain enough interest coverage to continue actively managing their pools. And documentation changes could be necessary.

Libor floors also are a likely source of interest-rate mismatches for CLOs. For syndicated loans, the Fed committee suggests replacing any existing minimum Libor-based interest with equivalent floors based on SOFR plus the spread adjustments. Low prevailing interest rates have left many borrowers uncompelled to adopt those terms, however. In several cases, they have set terms for new loans under which the floors would shrink or vanish upon the transition from Libor to SOFR.

A sample by **Covenant Review** of corporate loans written this year found 30.4% contain such reductions. That's up from 21.5% among 2020 loans.

For all vintages within the Credit Suisse Leveraged Loan Index that Covenant Review has analyzed so far, the total is 18.7%. "If we continue to have rates in the zero area at transition, which is not outside the realm of possibility, there could be value transfer to borrowers in deals with mismatched floors," said **Ian Walker,** the author of a Feb. 23 report that accompanied the study. "It will be a huge problem unless lenders start taking steps to mitigate the risks."

CLOs additionally face some basis risk before Libor's sunset. That's because regulators are pushing banks to stop writing new loans with Libor benchmarks by yearend.

To date, there have been no broadly syndicated leveraged loans linked to SOFR. Only investment-grade companies have borrowed against the benchmark, typically in the form of bilateral loans negotiated with single lenders.

Part of the issue is that the leveraged-loan market lacks bellwether borrowers that might take the lead. One possibility to act first would be a company in a private equity firm's portfolio. Once that happens, more could come in short order. "There's a lot of interest in being fast followers," one source said.

Libor reporting is expected to end in mid-2023 for the versions of the benchmark most commonly used for U.S. securitizations. ❖

Personal Lender Mapping First Deal

KMD Partners is planning a debut securitization of its subprime personal loans.

The Chicago company, doing business as **CreditNinja,** is in the early stages of the effort. The offering is expected during the second half of the year or in 2022.

CreditNinja would then seek to accelerate its issuance.

To aid the initiative, CreditNinja is seeking a senior-level professional who would be responsible for obtaining warehouse facilities and structuring its bond offerings. The recruit would report to **Cameron Chinnery** and **John Aronica,** who co-head capital markets and financial planning and analysis.

CreditNinja has originated nearly 200,000 loans since its formation in 2018. The operation specializes in originating high-interest loans of up to $5,000, with terms up to 18 months, to subprime borrowers. Some borrowers do not have credit scores or may have limited credit histories. The company also offers debt consolidation.

CreditNinja's business model is similar to that of rival personal lender **Oportun,** which offers loans up to $10,000 to borrowers who have limited credit or no credit scores. Those borrowers repay the loans on a biweekly basis. Since 2015, Oportun has completed 12 securitizations totaling $2.2 billion, according to **Asset Backed Alert's** ABS Database. ❖

Eagle Point Navigates Loan Reorg

A maneuver by **Eagle Point Credit Co.** to protect some of its collateralized loan obligation investments is paying off in an unusual way.

The Greenwich, Conn., operation last year found itself in a situation that has bedeviled many of its peers: A company whose loans back some of its CLO holdings was restructuring in a way that was unfriendly to those deals.

Specifically, the bankruptcy reorganization of **McDermott International** resulted in the exchange of nearly all $4.6 billion of its debt for a 94% stake in new common shares issued by the restructured company. Because that led to a principal shortfall, the Houston oilfield-services company added a sweetener allowing loan holders to buy additional stock at a discounted price.

CLO issuers saw the concession as designed specifically to limit their participation. The reason: While CLOs can receive equity in exchange for debt they already hold, they typically cannot purchase new stock outright.

And as a holder of the first-loss equity in several CLOs holding McDermott's debt, meanwhile, Eagle Point had the most to lose from the principal shortfall. But the operation, a closed-end investment company that trades on the **New York Stock Exchange,** also has a more flexible investment mandate.

As such, Eagle Point's solution was to offer to purchase the McDermott shares on behalf of the CLOs in its portfolio. The company wound up carrying out a series of block purchases of McDermott's stock, ending the year with 679,000 shares.

Participating lenders were able to buy the stock at 50 cents per share, versus the prevailing price of about 85 cents at the time. The upshot was that Eagle Point was able to recover its original investment by selling only part of its position in early January, while holding the rest in hopes that the price will rise.

Any gains would help offset the impact of McDermott's loan shortfalls on the performance of the CLOs on which Eagle Point is an equity holder. McDermott was trading this week at a little more than 90 cents per share.

With McDermott's bankruptcy ranking among the largest in the wake of the coronavirus outbreak, industry participants view Eagle Point's maneuver as a statement that loan investors with fewer restrictions cannot easily subjugate CLOs.

The experience and others also have prompted many CLO managers to seek additional flexibility to put new money to work in distressed companies already in their portfolios. Aiding those steps was a June 2020 modification to the Dodd-Frank Act's Volcker Rule under which the deals now can hold assets other than loans.

Many CLOs issued since then have incorporated broader investment mandates as a result. And the changes are becoming more commonplace via amendments to outstanding deals. However, it still could take some time before CLOs carry those provisions in large-enough numbers for the market as a whole to exert more influence.

What's more, CLOs that have exited their reinvestment periods always will have a limited ability to participate in loan workouts.

Eagle Point invests specifically in the equity and junior debt portions of CLOs. The operation, which had a net asset value of $388.2 million on Jan. 31, is among several CLO-focused investment businesses managed by Eagle Point Credit Management. ❖

Vaccine ... From Page 1

to do," Bright said.

SFVegas is the industry's largest conference, with more than 8,000 people in attendance in each of the past two years. In looking into whether to push back the summit a few months, the SFA is considering that such a move would place it in direct competition with **Information Management Network's** main-event "Global ABS 2021" and "ABS East" gatherings.

IMN in December canceled this year's Global ABS event but has since reconsidered. The conference is now scheduled to run from Sept. 8 to Sept. 10 in Barcelona, with some panels to be held virtually and others in person. That, too, is imperiled given the low vaccination rate in Europe. ABS East, meanwhile, is set to run from Oct. 18 to Oct. 20 at the Fontainebleau hotel in Miami Beach.

It's not clear that there's an appetite among potential participants for so many conferences in such rapid succession. Another consideration for the SFA: Because "SFVegas 2022" will take place in February, does it make sense for the group to host this year's event at all?

In announcing the second postponement of SFVegas 2021 in December, Bright was adamant that it would be a live event without a virtual component. Indeed, virtual gatherings have proved to be less popular than conference organizers had hoped. IMN's since-reversed decision to cancel Global ABS stemmed in part from tepid responses to several all-virtual conferences it hosted, including ABS East in December.

Moreover, sponsors have had a particularly hard time justifying the costs of marketing to smaller virtual audiences compared with the opportunities presented by thousands of people streaming through an exhibition area on a convention floor.

Bright said the SFA has several weeks to decide.

"There's no real deadline," he said. "We have plenty of language in our contract that allows us to make modifications if the vaccine" isn't widely available. ❖

QM Update Seen as Dead

Industry participants are interpreting the **Consumer Financial Protection Bureau's** delay of a rule that would have expanded the universe of qualified mortgages as indefinite.

The regulator said on Feb. 23 that it would push back the July 1 compliance date for the update, which would have removed the maximum 43% debt-to-income ratio for a home loan to meet the qualified-mortgage standard. In place of that threshold, the plan had been to grant qualified status to prime-quality loans whose locked-in annual percentage rates are no more than 2 percentage points higher than the market average as measured by the **Federal Financial Institutions Examination Council.**

The CFPB also said it would delay the phaseout of a so-called patch that allows **Fannie Mae** and **Freddie Mac** to buy nonqualified mortgages. That allowance in particular is seen as limiting the potential for private-label lenders to expand their origination and securitization output.

While the delays officially are temporary at this point, market professionals took it to heart when acting CFPB director **David Uejio** said this week that the agency might put off the measures permanently while possibly pursuing updates that would address multiple aspects of the qualified-mortgage rule. That would fit into a broader push by the **Biden Administration** to halt the progress of yet-to-be implemented regulations finalized under former President **Donald Trump.**

One issuer said that with the delay, he expects originators to keep offering loans in accordance with the current framework at least until they gain more clarity on the CFPB's plans. ❖

Global Jet Offering On the Way

Global Jet Capital is teeing up an aircraft-lease securitization.

The deal, expected to weigh in at more than $500 million, is scheduled to hit the market next week with **Bank of America, Citigroup, Deutsche Bank, KKR** and **TCG Capital** as underwriters. The transaction is backed by a pool of leases to private operators.

Global Jet bought **General Electric's** corporate aircraft-leasing business in 2016 and started issuing asset-backed bonds in 2018. The Danbury, Conn., company since has completed four deals totaling $2.3 billion.

It last tapped the market on Oct. 21, pricing a $521.8 million transaction via BofA, **Carlyle Group,** Citi, Deutsche, KKR and **Morgan Stanley.**

The only aircraft-lease securitization this year was a $594.8 million issue that **Castlelake** priced on Jan. 20 via BofA, **BNP Paribas,** Citi, **Credit Suisse,** Deutsche, **Goldman Sachs,** Morgan Stanley, **MUFG** and **Natixis.** That deal was backed by leases to commercial carriers.

With issuers taking a long pause after the coronavirus reached pandemic proportions and hobbled air travel, a mere six aircraft-lease securitizations totaling $2.6 billion priced in 2020. That was down from 18 transactions for $9.9 billion in 2019, according to **Asset-Backed Alert's** ABS Database. ❖

More Gains for CLO Asset Pools

Asset-quality indicators for collateralized loan obligations improved in December for a third consecutive month, helped by sales of distressed receivables and upgrades of some widely held borrowers.

According to an index maintained by **Moody's,** the weighted average rating factor across all post-credit-crisis CLOs with its ratings improved 41 points for the month to 3174. The largest advances were for deals issued in 2013 (58 points to 3186) and 2015 (45 points to 3237). Other vintages saw improvements of 8 to 40 points.

Among corporate-loan borrowers with broad representation in CLO pools, upgrades took place for education-technology company **Cengage,** whose debt is in 265 Moody's-rated CLOs with a median exposure of 0.45%; event-services company **AVSC Holding Corp.** (311 CLOs; median exposure 0.32%); and healthcare-software producer **CT Technologies Intermediate Holdings** (128 CLOs; median exposure 0.22%).

At the same time, CLOs' holdings of defaulted loans continued to decline, shrinking by a median 30 bp to 0.67% for post-crisis deals. In some cases, that was due to sales of bad loans. CLO managers also stopped treating several borrowers as defaulted. Among them was tableware manufacturer **Libbey,** whose debt is in 43 Moody's-rated CLOs with a median exposure of 0.24%.

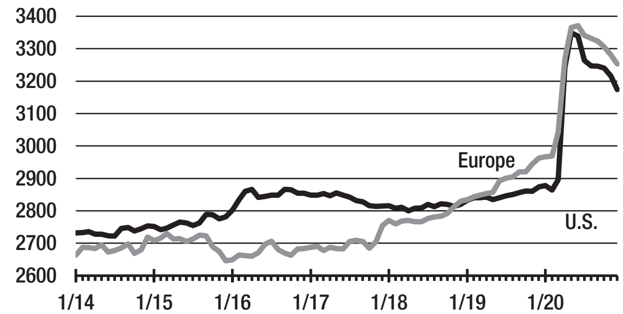
Median holdings of loans with "Caa" ratings decreased by 10 bp to 7.20% for CLOs in their reinvestment periods while increasing 13 bp to 10.40% for deals in amortization. Overall, there was a 19 bp decrease to 7.40% overall for post-crisis deals, marking the first time since April 2020 that the figure was less than 7.5%.

That's a key development for CLO managers, who typically must assign discounted values to any triple-C-rated holdings in excess of the 7.5% threshold for purposes of calculating over-collateralization levels.

Median senior over-collateralization levels increased 11 bp overall for the month to 130.36%, with deals of all vintages in both their reinvestment and amortization stages seeing gains. The biggest improvement was a 24-bp jump for deals issued in 2015, to 130.78%. Median junior over-collateralization levels improved across vintages with the exception of 2014, which experienced a 1-bp drop to 105.03%.

In addition to loan upgrades, which allow CLO managers to book more holdings at their face values, the over-collateralization figures benefited from secondary-market appreciation among several triple-C-rated loans. They include the debts of metal-casting company **Form Technologies,** (96 CLOs; median exposure 0.35%) and business-services operation **SAI Global** (71 CLOs; median exposure 0.27%). ❖

CLO Weighted Average Rating Factor



Source: Moody's

Education ... From Page 1

Foundation, North Texas Higher Education Authority and **Pennsylvania Higher Education Assistance Agency** are taking steps to carry out similar processes.

Typically, a sponsor cannot collapse an existing student-loan securitization until less than 10% of the collateral remains outstanding. With most of the targeted deals still above that threshold, each of the issuers has engaged **DealVector** to instead solicit bondholders to allow the efforts via amendments to the deals' indentures.

That's where the Libor phaseout comes into play. The type of modifications needed to introduce new fallback language — that is, terms that spell out how and when an issuer could move to a benchmark — typically require consent from 100% of investors.

But an amendment to the threshold for calling a deal in many cases needs the go-ahead from bondholders representing 51% of the transaction. And that opens the door to resecuritizations that could take place with the needed fallback language in place.

Issuers see the modifications as necessary because the original deals were structured with only temporary disruptions in Libor reporting in mind, as opposed to a permanent retirement.

The Pennsylvania loan agency, known as Pheaa, last month kicked off a series of consent solicitations for its securitizations. As part of the process, it intends to launch an online forum designed to facilitate communication with and among bondholders. The organization then would prioritize solicitations for trusts in which participation is highest.

The New Mexico foundation also is seeking consents to amend the indentures of a FFELP securitization it issued in 2010. The solicitation period ended on Feb. 24.

The Missouri and North Texas operations already have approvals in place for some deals, with Missouri soliciting for more.

While key U.S.-dollar versions of Libor now are expected to remain available until June 2023, 18 months later than originally planned, the student-loan agencies don't want to wait. That's due in part to uncertainties about what would happen should Libor fall out of use before then and thus cease to be representative.

Another possible motive: Collapsing multiple deals and resecuritizing the assets can free up capital trapped in reserve accounts.

Among for-profit lenders, some efforts have been underway to seek the full bondholder approvals needed to introduce new fallback language. **Nelnet** was able to amend eight deals with a combined face value of $2.15 billion last year with help from DealVector. And **Academic Loan Group** plans to seek consents this year.

The government stopped guaranteeing new FFELP loans in 2010. Still, $5 billion of fresh bonds backed by receivables from the program priced last year, versus $5.8 billion in 2019. The thinking is that the resecuritization efforts could help buoy supply in 2021. ❖

INITIAL PRICINGS

HPEFS Equipment Trust, 2021-1

Priced: Feb. 23
Amount: $999.7 million
Collateral: Equipment leases
Seller: Hewlett Packard Enterprise
Bookrunners: Citigroup, Goldman Sachs, J.P. Morgan, MUFG

Class	M/S	Amount	Yield	WAL	Spread	Benchmark
A-1	A1+	328.000	0.165	0.37	-3	Int. Libor
A-2	AAA	341.000	0.277	1.23	+10	EDSF
A-3	AAA	144.760	0.321	2.03	+11	Int. Swaps
B	Aa1/AA	49.450	0.574	2.39	+32	Int. Swaps
C	Aa2/A	55.900	0.760	2.61	+48	Int. Swaps
D	A1/BBB	80.630	1.042	2.96	+72	Int. Swaps

DataBank Issuer LLC, 2021-1

Priced: Feb. 24
Amount: $657.9 million
Collateral: Data centers
Seller: DataBank
Bookrunners: Deutsche Bank, Guggenheim

Class	Kroll	Amount	Yield	WAL	Spread	Benchmark
A-2	A-	553.600	2.073	4.96	+135	Int. Swaps
B	BBB	44.540	2.673	4.96	+195	Int. Swaps
C	BB-	59.750	4.473	4.96	+375	Int. Swaps

Triangle Re Ltd., 2021-1

Priced: Feb. 23
Amount: $495 million
Collateral: Risk transfer
Seller: Genworth Financial Corp.
Bookrunners: Bank of America, J.P. Morgan

Class	DBRS	Amount	Yield	WAL	Spread	Benchmark
M-1A	BBB(L)	120.204		2.03	+170	1 mo. Libor
M-1B	BB	141.416		2.98	+300	1 mo. Libor
M-1C	B(H)	91.920		3.78	+340	1 mo. Libor
M-2	B(L)	98.992		4.57	+390	1 mo. Libor
B-1	NR	42.426		4.98	+450	1 mo. Libor

Residential Mortgage Loan Trust, 2021-1R

Priced: Feb. 22
Amount: $118.9 million
Collateral: Non-qualified mortgages
Seller: Seer Capital Management
Bookrunner: Credit Suisse

Class	S&P	Amount	Yield	WAL	Spread	Benchmark
A-1	AAA	85.354	0.833	2.04	+62	Int. Swaps
A-2	AA	7.237	1.063	2.04	+85	Int. Swaps
A-3	A	11.195	1.163	2.04	+95	Int. Swaps
M-1	BBB	6.185	2.229	4.00	+170	Int. Swaps
B-1	BB	5.628	3.379	4.00	+285	Int. Swaps
B-2	B	3.340	4.429	4.00	+390	Int. Swaps

Relief ... From Page 1

scarcity of collateral.

Indeed, the $42.2 billion of asset-backed bond deals that priced in the U.S. from Jan. 1 to Feb. 19 represented an 18.3% decline from the year-earlier total of $51.7 billion, according to **Asset-Backed Alert's** ABS Database.

So why are the concerns growing now? It was just in the past few weeks that the relationship between government stimulus and asset generation began to crystallize.

Take **Congress'** efforts to push through a third round of economic support. The $1.9 trillion package, now on pace to land on President **Joe Biden's** desk by mid-March, would include $1,400 checks to most adults, plus $1,400 per dependent.

With many recipients of previous stimulus payments already having put the money into savings, using it to pay off debt or funneling it into purchases that they might have financed via auto loans, personal loans or credit cards, the belief is that the effect could be magnified this time.

The releases of earnings reports have offered more insights. Personal-loan originator **OneMain Financial** said during a Feb. 9 call that while government aid has helped existing borrowers keep up on their payments, there has been an inverse correlation between the amount of assistance available and demand for new financing.

OneMain originated $3.2 billion of loans during the quarter ended Dec. 31, down 13% from a year earlier. It last issued asset-backed bonds on Aug. 13, distributing $1 billion of securities with **Citigroup, Mizuho** and **Societe Generale** running the books.

With the Evansville, Ind., company on a twice-yearly securitization schedule, it's likely any effects on its deal volume have yet to be felt. That said, marketwide production of personal-loan securities has fallen to $1.3 billion this year from $2 billion at this point in 2020.

In the student-loan sector, **Sallie Mae Bank's** $600 million origination total for the fourth quarter amounted to a 13.2% decline from a year earlier. And like OneMain, Sallie so far has kept pace with its issuance output. Its most recent deal, totaling $1.3 billion, priced on Feb. 3 with **Credit Suisse** running the books.

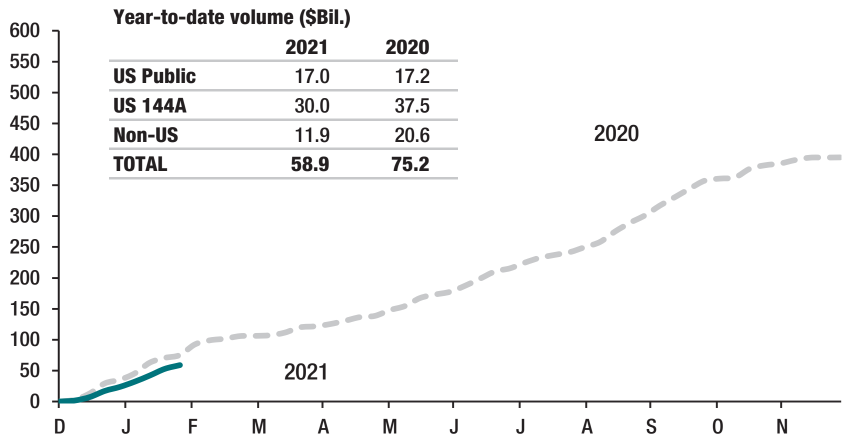
Overall issuance of student-loan bonds has fallen to $3.5 billion this year from $4.5 billion at this point in 2020.

The first round of federal coronavirus stimulus came via the Cares Act last March. Its disbursements to qualifying individuals, of $1,200 plus additional benefits for dependents, totaled more than $270 billion. The second round, approved in December, saw checks of $600 apiece for a total of $142 billion.

To be sure, several other factors are contributing to this year's issuance slowdown. Many issuers have yet to overcome disruptions to their offering patterns that occurred with the onset of the pandemic. And others, concerned about dislocations that could have occurred in the event of a disputed presidential election, satisfied their near-term funding needs some months ago. Shortages of computer chips and other components have hurt vehicle-manufacturing volume. What's more, lending volume tends to dip early each year as borrowers aim to pay off debts accumulated during the yearend holidays. ❖

MARKET MONITOR

WORLDWIDE ABS ISSUANCE

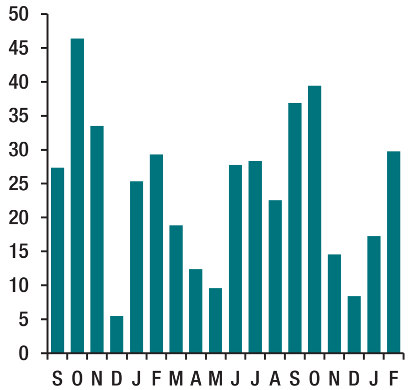


Year-to-date volume ($Bil.)

	2021	2020
US Public	17.0	17.2
US 144A	30.0	37.5
Non-US	11.9	20.6
TOTAL	**58.9**	**75.2**

US ABS ISSUANCE

Volume in past 18 months ($Bil.)



US NON-AGENCY MBS ISSUANCE

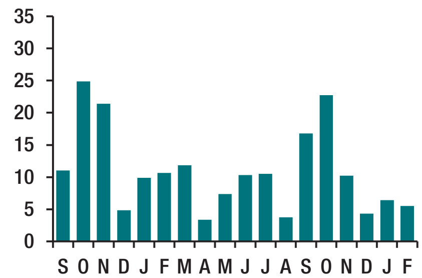
Volume in past 18 months ($Bil.)

US CLO ISSUANCE

Volume in past 18 months ($Bil.)

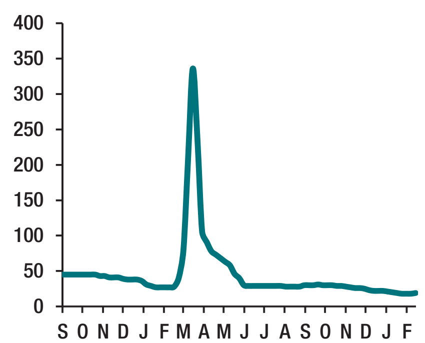
NON-US ABS ISSUANCE

Volume in past 18 months ($Bil.)



5-YR FIXED CARD SPREADS

Last 18 months (bps)



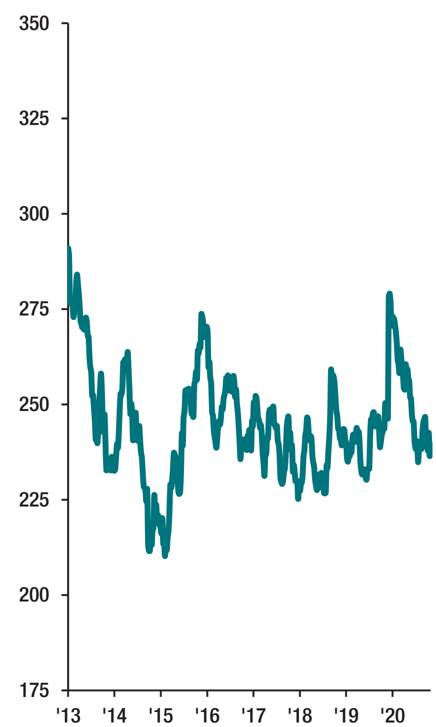
SPREADS ON TRIPLE-A ABS

		Spreads (bps)		
	Avg. Life	2/18	Week Earlier	52-wk Avg.
Credit Card	2.0	S-3	S-4	S+25
(Fixed)	5.0	S+19	S+18	S+49
Credit Card	2.0	L-2	L-3	L+28
(Floating)	5.0	L+29	L+28	L+56
Auto Loan	2.0	S+5	S+4	S+38
(Tranched)	3.0	S+11	S+10	S+47
Swap Spread	2.0	9.0	9.0	9.8
(Midpoint)	5.0	13.0	12.0	7.0
	10.0	8.5	7.5	1.1

Source: Deutsche Bank

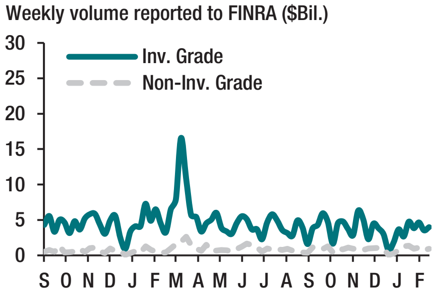
ASSET-BACKED COMMERCIAL PAPER OUTSTANDING

Since 4/17/13 ($Bil.)



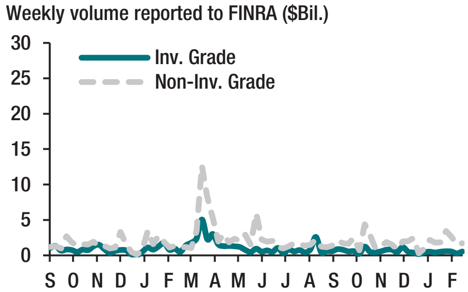
ABS SECONDARY TRADING

Weekly volume reported to FINRA ($Bil.)



MBS SECONDARY TRADING

Weekly volume reported to FINRA ($Bil.)



THE GRAPEVINE

... From Page 1

Federal Housing Finance Agency last year proposed capital rules that would remove the incentive for such transactions. Davis started at the agency in 2001 after stops at **First Republic Bank** and **Merrill Lynch.**

Veteran banker **Brian McGrath** left **Jefferies** last week for **Ribbit Capital.** He's a New York-based partner at the Palo Alto, Calif., venture capital shop, which backs online financial-services companies that could turn to securitization as a funding source. McGrath had been at Jefferies since 2008, identifying companies for the bank to invest in and bring to the securitization marketplace. Before starting at Jefferies, McGrath spent 11 years at **RBS.**

Harry Noutsos last month joined **Prime Collateralised Securities,** a London nonprofit that assigns "simple, transparent and standardized" designations to asset-backed bond deals across Europe. Noutsos, a managing director based in Poland, focuses on market outreach. He had been on the sidelines since October, when he left **ING** as global head of asset-backed securities, a role that involved unwinding exposures to devalued securities from the previous financial crisis. A frequent guest speaker at industry conferences, Noutsos joined the Amsterdam bank in 2011 following a four-year stint as a bond structurer at **Banco Santander.** He also has logged time at **Bank of America** and **Credit Suisse.**

Another former **OnDeck Capital** employee has jumped to online business-loan originator **BlueVine.** Credit-risk specialist **Fa Sy** left OnDeck last week. She's now a senior director in BlueVine's credit operations group in Redwood City, Calif. Her departure follows that of sales specialist **Shaun Wadhwa,** who joined BlueVine last month. Sy started at OnDeck in 2018, serving as head of a team that uses so-called judgmental analysis to determine borrowers' eligibility for loans without relying solely on credit scores. She also has worked at **Bank of America, ePlus, Capital Link** and **Cooper Industries.** BlueVine has been working to package its loans into an asset-backed bond offering.

Manpreet Dhot, who left **Funding Circle's** U.S. operation late last month, has signed on as chief risk officer at **Imprint,** a New York startup that produces payment-processing software. Dhot, who's based in San Francisco, had been chief risk and analytics officer at Funding Circle since 2015. Before joining the online personal-loan originator, he spent more than 12 years at **American Express** in the U.S. and India. His resume also includes stops at **GE Capital** and **Ford.**

Attorney **Brett Stone** joined **Allen & Overy** this month as an associate. He previously held a similar position in the alternative-investment practice at **Milbank,** where he worked on collateralized loan obligation transactions, representing arrangers and managers, as well as private placements and bilateral financings. Prior to joining Milbank in July 2017, Stone spent time at **Hunton & Williams** and **Katten Muchin.**

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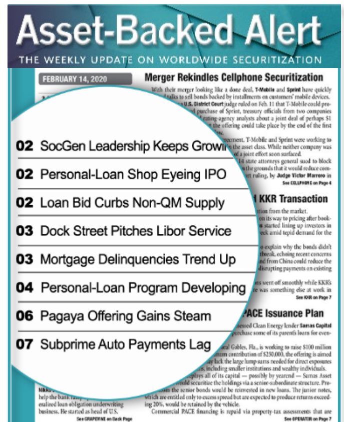
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