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Asset-Backed ALERT

THE WEEKLY UPDATE ON WORLDWIDE SECURITIZATION

MARCH 20, 2020

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Dealmakers Envision 'TALF 2.0' Program

Faced with the potential for an extended slump in structured-product issuance, industry professionals are discussing a possible revival of the **Federal Reserve's** Term Asset-Backed Securities Loan Facility.

The talks so far have taken place only between private-market operations, with banks including **Bank of America** and **Citigroup** huddling with issuers including **Ford** and **General Motors.** While details remain unsettled, the next step would be to lobby the Fed to dust off TALF or launch a new program like it.

The original version of TALF aimed to stimulate consumer and commercial lending in the wake of the 2007-2008 financial-market collapse by allowing investors to post new asset- and mortgage-backed bonds as collateral for up to $1 trillion of low-cost Fed loans. The program had an immediate and dramatic impact on the cost of funding for issuers, enticing them to raise the capital needed to offer more

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Funding Freeze Jeopardizes Online Lenders

The recent financial-market downturn is especially imperiling online personal lenders.

Concerned that rising loan defaults will worsen as the economic impacts of the coronavirus outbreak take hold, warehouse suppliers have been pulling funding from originators — especially those catering to subprime borrowers. Sources pointed to **Atalaya Capital, Fortress Investment, Garrison Capital, Jefferies, MidCap Financial** and **Pimco** as being among suppliers that have sent out "notice provisions" demanding repayment or the posting of additional collateral.

Such moves could be just the first in a series of potential events that could quickly bring down many originators. The threat reflects the fact that those operations often lack the balance-sheet capital that more-mainstream financial institutions can tap to carry themselves through times of stress. Rather, they rely more directly on a process of cycling receivables through warehouse facilities, whole-loan sales and

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Small-Business Loan Bonds in Crosshairs

Small-business lenders are facing a sudden and severe threat to their operations and to the performance of their securitized assets.

Acting on their own accords or following orders from state and local governments, a vast number of small businesses nationwide have suspended or reduced operations amid the coronavirus outbreak. And lenders already are feeling the effects.

Why small-business loans in particular? The accounts often carry greater payment frequencies than other types of debts, sometimes weekly or even daily, and thus are exposed to more immediate deterioration when the underlying borrowers run into trouble — not to mention when they do so en masse. And because the number of missed payments would mount more rapidly than they would for loans with monthly installments, the fear is that lasting business interruptions could quickly cause asset-quality indicators within the lenders' securitization pools to

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THE GRAPEVINE

The coronavirus pandemic has slashed job opportunities in structured finance, with executive recruiters saying most institutions have suspended hiring indefinitely. Job-seekers who were already engaged with a company before the virus took hold have been asked to conduct interviews via remote access. Few people, however, view that as an adequate substitute for traditional hiring methods. "Eventually you're going to have to meet face-to-face with someone," one headhunter noted. "Nobody is going to hire a candidate off a computer screen."

Securitization attorneys are preparing for the possibility that deals will collapse as the market turmoil continues. One issue they're focusing on is whether the fallout from the coronavirus outbreak will count as a "force majeure" event. That designation relieves parties from

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Marathon Pulls Plug on Deal

Rapidly deteriorating market conditions prompted **Marathon Asset Management** to withdraw from buying a pool of mortgages after delivering the winning bid.

Marathon had won the $50 million whole-loan pool from **Ocwen Financial** the week of March 9, but the company pulled out on March 17 on the advice of its investment committee.

The bid was non-binding and subject to Marathon's due diligence. As the crisis spawned by the coronavirus outbreak deepened, the loans fell in value, which Marathon considered a game changer.

"The market tanked that quickly, and given the market levels for the loans, it didn't make sense for Marathon to go through with it," a source said.

A Marathon spokesperson dismissed rumors that the company backed out because of a margin call or a loss of warehouse facilities. The New York firm, which manages $19 billion, has $2.4 billion of available aggregate financing.

"It has nothing to do with financing lines," the spokesperson said. "We have plenty of untapped borrowing. It was an investment decision on a non-binding deal. I'm sure some people were upset, but the levels just didn't make sense to go forward." ❖

Conduit Industry on Precipice

The asset-backed commercial paper market is in disarray.

With the coronavirus outbreak and oil-price collapse causing widespread turmoil across the finance industry, conduit professionals have been scrambling to determine the values of fresh conduit securities. In many cases, they've found that issuance costs have soared.

What's more, investors are largely shunning anything but one-day paper. That reflects a situation in which money-market funds, the largest buyers of conduit securities, have received major capital inflows but are nervous that more bad news is just around the corner. "The market is very short right now, mostly overnight, and struggling with price discovery," one source said.

Overnight conduit securities typically sell at yields equal to the federal funding rate, currently set by the **Federal Reserve** at a targeted 0-0.25%. But even offerings from the best-regarded vehicles are witnessing a rapid dislocation. For example, **J.P. Morgan's** Jupiter Securitization and **RBC's** Thunder Bay Funding were paying 1.15-1.75% on new one-day paper this week.

Second-tier conduits were asked to cough up as much as 4%. "The conduits will have no choice but to pass those costs on to clients that fund themselves through the vehicles," another source said.

To that end, there is a feeling among industry insiders that yields could remain high until the broader financial market recovers — something they regard as impossible to predict. And with conduits' underlying borrowers facing corresponding increases in their funding costs, concerns are mounting that they could seek other sources of capital.

The result could be a decline in conduit volume that in some ways would re-enact the contraction that occurred after the 2007-2008 market collapse. That downturn, coupled with accounting-rule changes that brought conduit assets onto the operators' balance sheets, saw the volume of U.S. asset-backed commercial paper in the hands of investors plunge from $1.2 trillion in 2007 to barely more than $200 billion in 2014.

That total stood at $278.2 billion on March 18, which actually represented a modest increase from prevailing figures in recent months, according to the Fed. That suggests any pressures on issuance volume have yet to take hold and that conduit operators remain able to roll over maturing paper, albeit with shorter maturities in many cases.

There also have been no indications that those shops might be forced to tap their liquidity backstops. Perhaps helping to ease conditions in general was the Fed's March 17 statement that it would again offer low-cost loans through its Commercial Paper Funding Facility, a crisis-era program intended to support the market for unsecured commercial paper. The Fed also said on March 18 that it would offer $10 billion of credit protection to money-market mutual funds through its Money Market Mutual Fund Liquidity Facility. ❖

Lender Seizes Aspiring Issuer

Hedge fund manager **Atalaya Capital** has assumed control of struggling personal-loan originator **Sky Bridge Financial.**

Sources said the seizure took place last week after Sky Bridge defaulted on a $20 million funding facility that Atalaya supplied. Sky Bridge, which mainly offers debt-consolidation financing to subprime borrowers, has experienced higher-than-expected delinquencies among its accounts.

There's no word on what Atalaya will do with Sky Bridge's loan portfolio, which the Plano, Texas, company had been planning to securitize.

Sky Bridge owner and chief executive **Peter Jacoves** left the same day Atalaya took control. It's unclear how the change might affect an apparent agreement that Sky Bridge struck some time ago to sell itself to a new owner.

In addition to Sky Bridge, Jacoves owned a debt-settlement company called **Nationwide Debt** that he sold in January. That move came after an August order from the **Colorado Attorney General** that the companies refund $175,000 to borrowers for violating a state law that bans businesses with shared ownership from supplying both lending and debt-management consulting services.

Atalaya invests in a range of areas, including offering financing to specialty lenders and buying their accounts. The New York firm is led by founder **Ivan Zinn,** formerly of **HBK Capital.** ❖

Student-Loan Waivers Lack Details

Education-finance professionals are struggling to understand which government-guaranteed accounts will qualify for interest waivers, and how securitizations might be affected.

The lack of clarity built as **President Trump** said on March 6 that the government would suspend student-loan interest amid the coronavirus pandemic and the **U.S. Department of Education** later added that borrowers' monthly payments would remain the same but would go entirely toward their principal balances.

Still uncertain is whether the interest moratorium will apply to all federal student loans or only to those held on the **Treasury Department's** balance sheet, excluding often-securitized Federal Family Education Loan Program accounts. The upshot has been an inability among servicers to advise some borrowers on whether they qualify.

Fitch said it has received word from servicers that they are working on clarification. The mechanism for bondholders to eventually receive any waived interest also is up in the air, although industry participants are operating under the assumption that claims would flow through existing channels for late payments.

Should there be delays, reserve accounts built into the deals should be sufficient to cover interest distributions to investors for a couple of months. However, the sizes of those accounts vary by transaction. "In a typical FFELP ABS deal, if student-loan interest was eliminated, cash in the transaction's reserve account and other funds that come in from borrower principal payments and guarantee payments would be available to cover bondholder interest," a source said.

"However, at some point down the road, it is possible that there would be insufficient available funds to pay timely interest and ultimate principal to bondholders," the source added. He also said that if the Department of Education suspends all defaults, government-guarantee payments would cease in a few months — removing a large source of incoming capital for FFELP-loan bonds.

Moody's, meanwhile, said it's unlikely there will be a direct impact on the cashflows backing FFELP-loan bonds. It also characterized the action as having a positive effect on all consumer-asset securities.

As call volumes from borrowers surge, major servicers including **Navient** and **Nelnet** have posted notices on their websites indicating that more information on the interest waiver is coming soon.

The confusion comes as servicers are making their own preparations for office shutdowns stemming from the coronavirus. The **Pennsylvania Higher Education Assistance Agency,** the parent company of **American Educational Services** and **Fed Loan Servicing,** suspended most operations at its Pennsylvania facilities on March 17 in compliance with a state-wide directive. The company's website directs borrowers to online and voice systems.

Fitch said that overall, it is comfortable with servicers' continuity plans. Servicers are focused on implementing forbearance policies in response to the coronavirus, which could require more due diligence to determine the effects on borrowers, senior director **Ian Rasmussen** said. ❖

Deals Stop as Buyers Run for Cover

Disruptions surrounding the coronavirus pandemic have brought the flow of new asset- and mortgage-backed securities to a standstill.

While no fresh offerings appeared likely to price this week, the lack of supply didn't reflect a hesitancy among sell-side professionals. Indeed, many issuers and bankers were expressing an eagerness to bring deals to market even as funding costs soared from what had been some of the lowest levels seen since before the 2007-2008 market collapse.

There just was no buy-side appetite for the offerings. That's in large part because money managers, considered the backbone of the structured-product investment community, have largely halted new purchases in the sector amid a mass exodus into cash.

Along with a mix of other holdings, those operations spent much of their time this week putting their asset- and mortgage-backed bond positions out for bid in hopes of cashing out as soon as possible. The reason: They anticipate a wave of redemption requests from customers who don't have the stomach to ride out the market's tumult. "These spreads on asset-backed bonds are very compelling if you're looking to buy. But it's tough for buysiders to pull the trigger when you're living in fear of massive redemptions," one dealer said.

While many of the investors have found a market for Treasurys and other highly liquid holdings, however, it hasn't been as easy to move out of structured-product positions. To that end, secondary-market professionals reported that the offering volume had risen but actual sales had fallen to about half of normal levels this week. "Lot of supply. People want to sell, but many buyers just ran for the exits," one trader said.

The upshot was a wide differential between the prices sellers were asking and the bids they were receiving.

Meanwhile, spreads continued to march outward as those parties met near the middle. But reports of actual trading levels varied widely from desk to desk. For example, one suggested that among bonds backed by prime-quality auto loans, two-year notes with triple-A grades had moved out to 65 bp over swaps from 45 bp a week ago and 28 bp a week before that. Another quoted a current spread just outside 100 bp. A third was seeing levels wider than 200 bp.

The only new deals making the rounds this week were a $595 million jumbo-mortgage offering from **J.P. Morgan** and a $492.3 million offering of bonds backed by reperforming home loans from **Chimera Investment.** But there was little hope that either of those deals would price this week.

Amid growing concerns about its financial condition, subprime auto lender **Carvana** also is preparing two deals that could hit the market next week.

Nine asset- and mortgage-backed bond issues totaling $4.7 billion priced during the week ended March 13, according to **Asset-Backed Alert's** ABS Database. ❖

Court Solution Seen for Libor Issue

Investors and trustees are exploring the idea of teaming up to seek judicial intervention for floating-rate securities whose terms lack provisions for the permanent cessation of Libor.

The thinking is that under Article 77 the New York Civil Practice Law and Rules, those parties could present the **New York State Supreme Court** with adjustments agreed upon by significant numbers of bondholders and trustees.

"We're talking to as many clients as we can to create that critical mass," said **Uri Itkin,** a partner at law firm **Kasowitz Benson.** "It benefits our investment fund clients, and the trustees we work with regularly also see the utility in aggregating as many holders as possible."

Fallback provisions drafted before 2018, when the **U.K. Financial Conduct Authority** signaled it would stop collecting Libor data after 2021, generally contemplate only temporary disruptions in benchmark reporting — with wide variations from deal to deal. That leaves trustees vulnerable to legal challenges from investors should permanent replacements for Libor lead to unfavorable outcomes.

A push has been developing for New York legislation that would create an automatic replacement for Libor, thus creating a safe harbor for trustees. But it's unclear how quickly lawmakers might tackle the matter. Meanwhile, there's ample precedent for using Article 77's "express trust" provisions to address ambiguous language in trust documents, notably in mortgage-bond litigation that followed the 2007-2008 financial crisis. In those cases, trust documents often were unclear on how to disburse settlement proceeds among different classes of securities.

Introducing more-robust fallback language for older transactions is difficult because material amendments require the consent of 100% of bondholders. But there is no set critical-mass requirement under Article 77 or similar statutes in other states.

Another possible avenue is a declaratory judgment, which could be sought based on the interpretation of a specific contract or the rights and responsibilities of the trustee. But that is only possible once there is a live dispute.

"After a complaint is filed, a trustee could go to the court and say it needs a judgment that its interpretation of the contract is correct or that it has the discretion to choose a new benchmark or that a given benchmark is a reasonable or right substitute based on the contract language," said **Joseph Cioffi,** a partner at law firm **Davis & Gilbert.** "However, if a lawsuit has already been filed, it means someone may have made a considerable investment and considers the lawsuit worthwhile to pursue. You don't really want to be in that position," Cioffi added.

The best case scenario for trustees likely would be a change in the law. Indeed, legislation proposed on March 6 by the **Federal Reserve's** Alternative Reference Rates Committee would override existing financial-contract language that is silent on benchmark replacements or mandates a switch to another index based on Libor. In doing so, it would provide some cover for trustees, administrators and other parties who can argue that they simply were following the law in adopting new benchmarks. Potential plaintiffs would have to argue that the law is unconstitutional. ❖

CLO Managers Hunt for Bargains

Collateralized loan obligation managers continue to scour the leveraged-loan sector for bargain assets, but with a different approach than a week ago.

With the financial-market rout making it virtually impossible to complete new CLOs, issuers have quickly abandoned the idea of carrying out "print-and-sprint" transactions in which they would sell bonds and then quickly collect the underlying loans at discounts. Instead, they are aiming to take advantage of falling loan values by selling weaker assets and buying stronger ones for their existing deals.

The ability to trade up in credit is possible because other investors, including mutual fund managers, are in such a hurry to free up cash that they are selling leveraged loans indiscriminately. "This is a great opportunity for credit pickers," one source said.

The S&P/LSTA Leveraged Loan 100 Index, which tracks the largest facilities in the leveraged-loan market, has fallen about 16% this month. Industry participants point out that they see today's opportunities as especially attractive because the downturn has affected loan values across industries, as opposed to resulting from a decline in a specific industry. "There are plenty of discounted quality names to buy. That wasn't the case in 2015, when it was just the energy sector," another source aid. "That's an important distinction."

Collateral managers aren't simply acquiring loans based on ratings, or even industry. Rather, they are assessing the abilities of individual companies to stay in business as the economy contracts amid efforts to contain the coronavirus.

Take **Hilton Hotels,** whose loans have been trading in the neighborhood of 85 cents on the dollar. Some believe the discounts are more reflective of concerns about the hotel sector than the company itself, whose health may be aided by a widely used loyalty program and its customer database. "No one underwrote companies for having no revenue for the next few months," said one source. "It's time to revisit every obligor based on liquidity."

A move toward stronger assets might ease concerns that eventual downgrades to borrowers' ratings will cause CLOs to fall below asset-quality thresholds — a possibility that industry participants long have seen as likely in an economic downturn. For the moment, U.S. CLOs maintain healthy cushions, according to **Wells Fargo.** Average holdings of loans rated "Caa" by **Moody's** are at 3.5%, with holdings of assets carrying "BBB" marks from **Fitch** at 3.7%, versus a typical limit of 7.5%.

However, Wells has warned about potential downgrades to hotel, casino, leisure and transportation companies, which make up roughly 7% of CLO collateral.

When it comes to secondary-market trading, this week saw 35 bid lists containing $1.9 billion of bonds from 355 CLO classes circulate as of Thursday afternoon, according to **Empirasign.** That was down from $2.5 billion last week, but up from $1.4 billion the week before that. ❖

Finance Pros Offer Lender Funding

Two longtime financing specialists with securitization experience have launched their own business-lending operation.

John Eck and **John Fernando** set up their New York-based **J2 Funding** in recent weeks. The plan is to originate high-yield loans of $5 million to $25 million for small finance companies that aren't large enough to obtain warehouse lines from banks.

While J2 doesn't plan to securitize its accounts, some of the firm's borrowers might use its loans to grow to a size where they could tap the capital markets. Those operations lend in non-traditional areas including financing of litigation, nonperforming second-lien mortgages, music royalties and distribution of films and television shows.

Eck worked from 2018 to this February as an origination specialist focused on structured credit products at **Ares Management.** He was a portfolio manager for structured products and illiquid assets at hedge fund shop **Arena Investors** before that, with a scope that included oversight of loan origination and structuring.

Eck also has assembled securitizations of unusual assets at **Bank of America, Citigroup** and **Bear Stearns.**

Fernando had been working since 2014 at his own business-lending company, **North Fork Partners.** He worked at a number of similar lending operations before that, including **Boston Finance,** and spent time securitizing non-traditional assets at **Lehman Brothers.**

Eck and Fernando plan to fund their activities mainly by raising capital from investors. Eck said the partners are undeterred by the market chaos that has developed in recent weeks. "As was the case in 2001 and again in 2008 and 2009, the overall thesis doesn't really change," he said. "There will always be good companies in need of properly structured loans. The business is uncorrelated to the broader markets." ❖

Program ... From Page 1

credit to their customers.

For example, three-year credit-card bonds with triple-A ratings were selling at 200 bp over swaps when the initiative was announced in November 2008. By the time it launched in March 2009, they were at 50 bp.

Today, the potential economic effects of the coronavirus pandemic and oil-price crash are again raising questions about whether the government will need to step in to support lending activity by making securitization funding more accessible. The possibility that industry participants will be away from their offices for several weeks, or even months, also is seen as an indication that outside stimulus will be necessary.

"People are already talking TALF 2.0. It might seem early. But when you think about how long the original took to get going, the earlier the better," said one banker with knowledge of the discussions.

Indeed, no new asset- and mortgage-backed bonds priced this week as issuers paused several offerings that were in the near-term pipeline. The week ended March 13 saw $4.7 billion of fresh deals in the U.S., according to **Asset-Backed Alert's** ABS Database.

TALF ended in 2010. **Pimco** was the heaviest user of the program, financing up to $7.3 billion of purchases. Other major borrowers included **Morgan Stanley**, which borrowed up to $5.4 billion, **Angelo, Gordon & Co.** ($3.7 billion) and **Metropolitan West Asset Management** ($2.9 billion).

The discussions about a new program coincide with a series of moves by the Fed to inject liquidity into the broader financial market, including a March 16 announcement that the central bank would supply up to $500 billion of fresh repurchase facilities. ❖

CLOs See Increasing Defaults

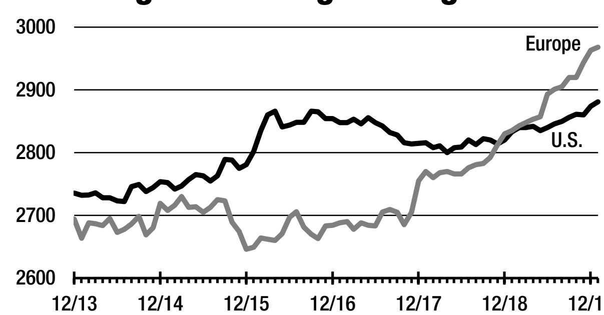
Collateralized loan obligations' holdings of defaulted assets grew in January. The 13 bp increase more than erased an 11 bp improvement that took place in December, bringing the median exposure for deals issued after the 2007-2008 market crash to 0.39%, according to **Moody's.** Deals still in their reinvestment periods registered a 9 bp increase to 0.32%. Only the 2019 vintage saw no change.

The deterioration came as issuers increasingly applied default designations to the loans of several troubled borrowers. Among them: landmine-clearing company **Constellis,** whose debt is in 238 Moody's-rated CLOs with a median exposure of 0.48%; rental-property marketing operation **RentPath** (106 CLOs, 0.45%); grocery-store operator **Moran Foods** (85 CLOs, 0.48%); and printer-cartridge remanufacturer **4L Technologies** (65 CLOs, 0.28%).

Overall collateral quality, as measured by median weighted average rating factor, deteriorated by 7 points to 2881 overall for post-crisis U.S. CLOs and by 5 points to 2968 for deals in Europe.

Moody's data doesn't yet take into account the market downturn brought on by the coronavirus pandemic and oil-price collapse.

CLO Weighted Average Rating Factor



Source: Moody's

Freeze ... From Page 1

eventually securitization.

This month, every phase of that strategy has faced disruption.

On the warehouse-lending front, for example, Atalaya has canceled a credit facility that it supplied to **Sky Bridge Financial** and assumed ownership of the company's portfolio (see article on Page 2).

Meanwhile, whole-loan sales essentially have frozen along with the broader credit market. And there are almost no new personal-loan securitizations in the pipeline.

"It's happening already," one source said. "These warehouse lenders, these credit funds, when they smell blood, they will jump on blood. These notice provisions are already going out, and some of these lenders are already having trouble. And the next two weeks are going to get a lot worse."

The warehouse lenders' most immediate concern likely is asset performance. Industry participants long have warned of weakness among subprime personal-loan pools, with **Avant,** for example, experiencing a rise in cumulative net losses in 2019. More recently, sources said the company's receivables have been demonstrating a slight rise in delinquencies due to coronavirus-related strains on borrowers.

Another consideration: With secondary-market trading of both loans and bonds at a near standstill, originators and warehouse lenders are unable to determine the values of those products.

"All these people that rely on external warehouse financing get external marks every quarter," another source said. "Right now they can't. And if they did, their values would be far less than they were just two weeks ago. Warehouse operators that begin to call in their funding know this, but will take the collateral underwater as a part of their loss mitigation. It's already in the works for the most sensitive loans."

With so many originators relying on securitization for long-term funding, meanwhile, a prolonged shutdown of the asset-backed bond market is a concern. Consider a $200 million deal that Avant completed on March 5, just before the recent financial-market downturn began to accelerate. **Kroll** wrote in a presale report for the offering that "a severe or prolonged disruption in the capital markets may impact Avant's liquidity and ability to access the debt and securitization markets, which may impact business operations."

Kroll said Avant has $825 million of committed warehouse lines from three suppliers. There are no indications that those facilities have been called.

Beyond a lack of near-term liquidity, there haven't been immediate operational disruptions at prime-quality lenders including **Lending Club, Marlette Funding** and **Social Finance.** Those operations typically have deeper warehouse funding available than their subprime-lending peers. But an extended hiatus in the asset-backed bond market eventually could put them at risk as well.

Another consideration: While some prime lenders could get by without securitizing, their funding approaches vary in ways that might expose them to other pockets of disruption. **Prosper Marketplace,** for example, is especially reliant on whole-loan sales. ❖

Crosshairs ... From Page 1

breach approved levels.

Once those thresholds are tripped, the issuers must take steps that could include diverting cashflows to senior bondholders or unwinding their deals ahead of schedule.

In a March 18 report on the impact of the coronavirus pandemic on small-business loan securities, **Kroll** warned that a decline in incoming payments could affect many transactions in the form of "rapid amortization trigger events based on delinquency levels, excess spread, weighted average yield and concentration limits."

In such scenarios, Kroll said, the lenders would experience reductions in their access to capital and abilities to originate new loans. The agency has rated all four of the small-business loan securitizations that have priced this year, from **Funding Circle, Harvest Small Business Finance, Oxford Finance** and **Velocity Commercial Capital.**

For their parts, bond issuers including Funding Circle, **Kabbage** and **OnDeck Capital** are said to be taking urgent steps to mitigate defaults, avoid hitting loss triggers and shore up their businesses.

Funding Circle is closely monitoring the portfolios backing its only securitizations so far, a $198.5 million issue that priced on Aug. 16, 2019, and a $252 million offering completed Jan. 22. OnDeck, meanwhile, especially appears to be keeping watch over a $125 million deal that priced on Nov. 8, 2019, and a $225 million offering from April 2018.

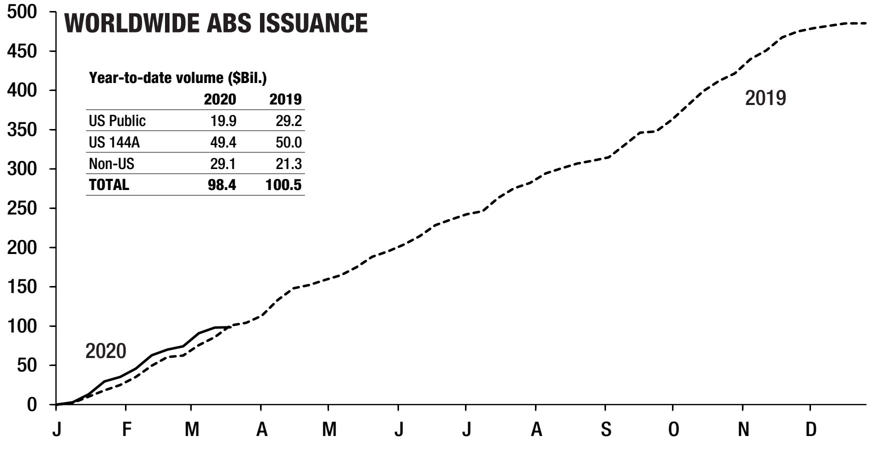
The fears also are apparent elsewhere in the lenders' financial-market interactions. Apparently fearing a swift deterioration, **MidCap Financial** already has pulled a $50 million credit facility that it had been supplying to Chicago originator **Lendr.**

Kapitus, which has completed three securitizations of loans originated under its **Strategic Funding Source** brand, is laying off 50% of its staff today. And **Enova International** stopped offering new loans through its **Business Backer** unit yesterday while continuing to service current accounts.

There is hope that as the federal and local governments roll out aid packages for small businesses, loan performance will stabilize. Funding Circle regulatory-affairs head **Ryan Metcalf** sent a letter to Congress yesterday supporting a bailout for small businesses and their lenders.

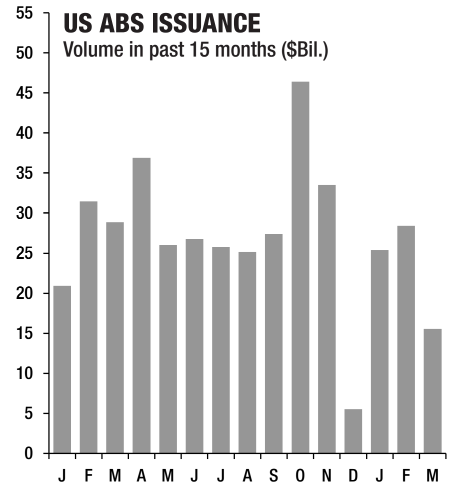
But industry participants warn that borrowers' abilities to keep up on their debts ultimately could be dictated by the duration of the lockdown. A sudden explosion of unemployment also could prove difficult to overcome. In Ohio, for example, jobless claims shot up to 78,000 for the first three days of this week compared to 5,700 for all of last week. ❖

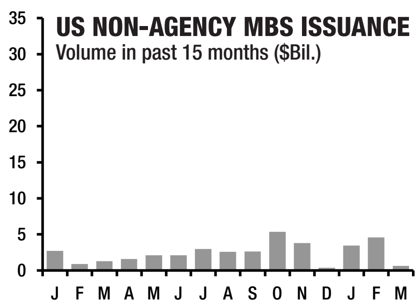
MARKET MONITOR

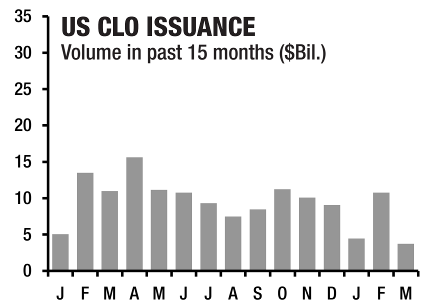


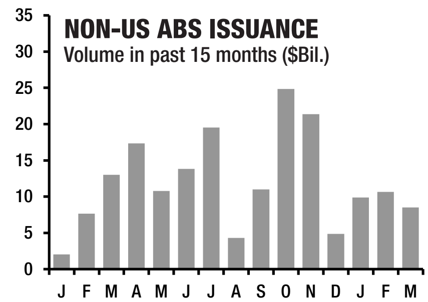
Year-to-date volume ($Bil.)

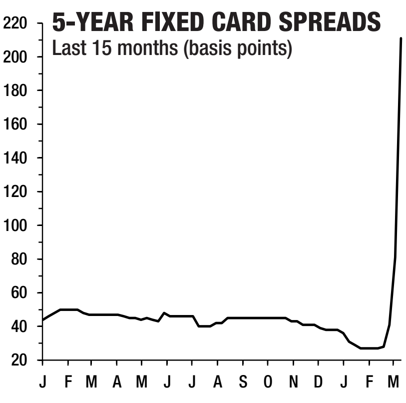
	2020	2019
US Public	19.9	29.2
US 144A	49.4	50.0
Non-US	29.1	21.3
TOTAL	**98.4**	**100.5**







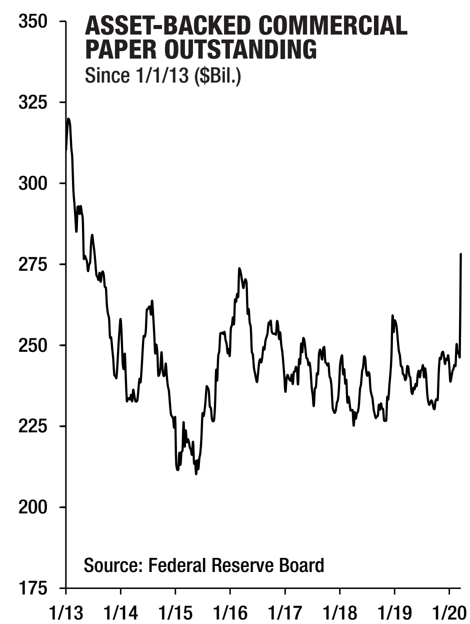


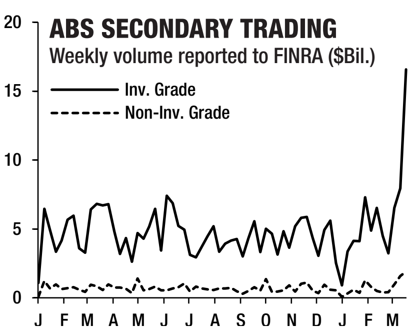


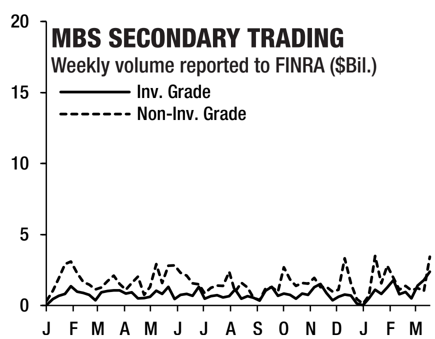
SPREADS ON TRIPLE-A ABS

	Avg. Life	Spread (bps) 3/13	Week Earlier	52-wk avg.
Credit card - Fixed rate (vs. Swap)	2.0	+185	+55	+23.0
	5.0	+211	+81	+45.4
Credit card - Floating rate (vs. 1 mo. Libor)	2.0	+194	+64	+24.4
	5.0	+210	+80	+46.8
Auto loan - Tranched (vs. Swap)	2.0	+220	+80	+31.5
	3.0	+232	+92	+40.7
Swap spreads (bid/offer midpoint)	2.0	+3	+13	+4.7
	5.0	+7	+13	-0.4
	10.0	+0	+8	-5.6

Source: Deutsche Bank







Data points for all charts on this page can be found in The Marketplace section of ABAlert.com

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performing their contractual duties when circumstances beyond their control make performance inadvisable or impossible. Attorneys also are studying “market-outs,” or the failure to close deals due to market disruptions. Though the circumstances have yet to materialize because deals have all but frozen, attorneys say they are making contingency plans.

Credit Chronometer, a blog published by law firm **Davis & Gilbert,** wrapped up its second annual subprime auto-loan survey in early March, with results showing participants’ biggest fear was an economic shock to vulnerable subprime borrowers. The firm is updating its study to reflect market sentiment given the worsening crisis and potential relief plans.

Sales-and-trading specialist **Joe Hornback** left **Nearwater Capital** a few weeks ago, destination unknown. Hornback joined Nearwater in December 2017 as a senior director. Before that, he was at **Mizuho.** He also has worked at **Auriga Global, Barclays, Goldman Sachs** and **Lehman Brothers.** Nearwater helps issuers of asset-backed bonds and collateralized loan obligations finance risk-retention positions in their deals.

Gaurav Singhal left **Mill Hill Capital** last week to rejoin his former employer, **Macquarie.** Singhal is a director in the New York office, where he trades collateralized loan obligations. He had been at Mill Hill since 2015, overseeing a pool of CLOs as a senior portfolio manager. Singhal first landed at Macquarie in 2010, working as a structured-product trader.

Education lender **Climb Credit** has hired **Zach Emig** as head of capital markets. He’s based in New York, reporting to chief executive **Angela Ceresnie.** Emig arrived from **Moody’s Analytics,** where he worked in a business-development role following an unsuccessful run for a Staten Island congressional seat in 2018. Before that, he was at **MUFG,** working on a buildout of its structured-finance business. Emig earlier spent 10 years at **Deutsche Bank,** chiefly in a structuring role. Climb, which is eyeing securitization as a funding source, writes loans to students at preapproved vocational schools.

Redwood Trust chief executive **Christopher Abate** quashed rumors this week that the company, a routine issuer of mortgage bonds, had stopped buying jumbo mortgages. “Don’t ask me how many times since the last crisis I’ve heard we stopped buying loans,” Abate said. “We’re a 26-year-old company, and rate sheets continue to go out every day. Zero disruption in clearing and funding commitments. We have obviously widened pricing and are staying cautious until the markets calm down, and we have a better sense of clearing levels. Our liquidity remains strong.”

Due-diligence shop **Infinity IPS** is looking for a sales representative to support its expanding residential home-loan valuation business. Candidates should have at least 10 years of experience. The position is based in the New York metropolitan area. Applicants should send resumes to Infinity chief executive **Chandresh Mehta** at cm@infinity-data.com.

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