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Asset-Backed ALERT

THE WEEKLY UPDATE ON WORLDWIDE SECURITIZATION

MARCH 27, 2020

2 Auto-Loan Relief Spooks Investors
2 Redwood Pauses Loan Purchases
2 Lenders Force Issuers' Hands
3 Fed Action Prompts Libor Buzz
3 IMN Turns to Online Outreach
3 Fortress Recruit Sizes Up Downturn
4 Capital Available for CLO Issuers
4 Secondary Trading Hits Standstill
5 JP Morgan Piles Up Assignments
5 Investors Flock to DealVector
7 MARKET MONITOR

TALF Reboot Criticized as Too Restrictive

Even before a single investor taps the **Federal Reserve's** Term Asset-Backed Securities Loan Facility, the **Structured Finance Association** is seeking a broad expansion of the program.

The trade group's main gripe is that TALF loans should be available to investors in all types of structured products, in addition to the eight asset-backed bond categories named in a March 23 term sheet from the Fed. It also is seeking eligibility for transactions issued before that date.

SFA representatives have been speaking to the Fed and **Treasury Department** on a daily basis, stressing the need for liquidity across the market.

TALF's launch marks the resurrection of a program that aimed to stimulate lending in the wake of the 2007-2008 market collapse by allowing investors to pledge securitized products as collateral for low-cost loans from the Fed. But the new version, brought on by the coronavirus crisis, is available only to buyers of bonds

See TALF on Page 6

CRT Investors Bemoan Forbearance Plan

Investors are rushing to determine whether newly launched forbearance programs from **Fannie Mae** and **Freddie Mac** will lead to losses for certain risk-transfer securities.

At issue are initiatives in which Fannie and Freddie are allowing mortgage borrowers affected by the coronavirus crisis to reduce or suspend payments for up to 12 months. The concern: Some older risk-transfer notes issued under Fannie's Connecticut Avenue Securities brand and Freddie's Structured Agency Credit Risk label treat the loans in their reference pools as defaulted once they fall 180 days past due.

In those instances, the deal structures call for estimates of what the resulting losses would be. The upshot is that holders of the bonds conceivably would absorb losses on loans in long-term forbearance even if the accounts eventually are brought current.

The confusion stems in part from the fact that the agencies haven't broadly

See CRT on Page 5

Nomura Cools on Mortgage Warehousing

Count **Nomura** among the investment banks that have become wary of mortgage exposures amid the coronavirus crisis.

The Tokyo bank's concerns stem largely from its activities as a major warehouse lender in the U.S. Sources said it has urged home-loan buyers and originators either to clear out those facilities by securitizing their contents right away or to post additional collateral.

Sources also said Nomura has at least temporarily stopped offering new credit lines in the sector, a maneuver that could reduce its pipeline of bond-underwriting assignments.

For its part, Nomura said it has no intention of exiting the mortgage-bond underwriting business. It declined to comment on specific details of its warehouse facilities or its clients. "We are comfortable with the partnerships we have forged

See NOMURA on Page 6

THE GRAPEVINE

Originators of home loans that fall outside the **Consumer Financial Protection Bureau's** "qualified-mortgage" guidelines are pleading with warehouse lenders not to pull their financing amid the upheaval caused by the coronavirus pandemic. A loose coalition of originators calling themselves the NONQMAlliance is working feverishly to get the message out. "There are no performance issues on high-quality NONQM," **Bryan Filkey,** senior managing director at mortgage company **theLender,** wrote in a March 23 post on **LinkedIn.** Filkey is helping to lead the effort.

Industry participants and the **Structured Finance Association** are trying to determine if the $2 trillion coronavirus aid package passed by the Senate this week, and expected to pass the House

See GRAPEVINE on Back Page

Auto-Loan Relief Spooks Investors

Investors in bonds backed by auto loans are increasingly nervous about a move by lenders to suspend borrower payments during the coronavirus crisis.

That's because the originators in many cases are discussing larger deferrals than the securities are built to withstand, potentially leading to principal losses for the bondholders. Deferments have always been seen as an effective tool for mitigating defaults by giving borrowers time to recover from financial hardships. But the virus has resulted in an unprecedented work stoppage across the U.S.

Given the scale of job losses, the number of people missing payments could soon exceed projections even for major economic downturns.

On March 18, **Ally Financial** began allowing borrowers to defer payments on their auto loans by up to 120 days with no late fees. **Ford** is letting customers wait up to 90 days before starting installments on new loans. **Hyundai,** too, has pledged to pause new-loan payments while creating grace periods of up to six months for individuals who lose their jobs.

Lenders including **Bank of America, Nissan** and **Toyota** also have signaled they will take action.

Asset-backed bond offerings are structured to include reserve accounts that are fully funded when the deals are issued. The reserves provide liquidity in the event that cash collections aren't available to cover payments. But the accounts are typically sized to cover just a few months of bondholder interest payments and likely aren't nearly large enough to cover the prolonged deferments the virus is expected to bring.

Once the reserve accounts are depleted, principal collections are used to replenish them. What's more, loans in forbearance offer no avenue to recover capital by selling repossessed vehicles.

Part of the issue for investors is that on top of possibly losing their principal, the move will further drain the value of their paper, which is already tanking. Fire sales over the last two weeks have pushed spreads on three-year auto-loan paper with triple-A ratings out to about 385 bp over swaps from 35 bp.

"It's just one more thing to stress about," one buysider said. "It makes the bonds even less liquid." ❖

Redwood Pauses Loan Purchases

Redwood Trust has temporarily halted the bulk of its jumbo-mortgage buying activities.

The maneuver marks a sudden change in stance for the Mill Valley, Calif., REIT, which a week ago insisted it still was an active buyer despite the market upheaval brought on by the coronavirus crisis. The official line at the time was that the operation was taking a more cautious approach and had adjusted its loan-pricing expectations but had experienced no disruptions in clearing and funding commitments.

But the situation changed on March 23, as conditions continued to worsen. "Obviously, things are dramatically different in the market than they were a few weeks ago," Redwood chief executive **Chris Abate** said. "We significantly pared back our activity because it's unclear where loans can be sold profitably given all the volatility. Given the Covid-19 outbreak, we don't know when things will get back to normal in our space."

Additionally factoring into Redwood's pivot was an industry-wide decline in new mortgage applications, to the lowest weekly level since 2009.

Redwood has been issuing home-loan securities since 1997. It emerged as the heaviest producer of jumbo-mortgage paper in the wake of the last market crash, with $24.8 billion of such deals to its name since 2010, according to **Asset-Backed Alert's** ABS Database. The operation most recently priced a $626.4 million offering on March 6 with **Morgan Stanley** running the books.

Redwood's move to curtail its purchases, meanwhile, punctuates rapidly mounting challenges that nonbank mortgage operations have faced this month. Many mortgage REITs have been overwhelmed with margin calls, with **Angelo, Gordon & Co.'s AG Mortgage Investment Trust, MFA Financial** and **New York Mortgage Trust** acknowledging this week that they wouldn't meet all of those obligations.

AG Mortgage, MFA and New York Mortgage buy a mix of home-loan instruments, including bonds and loans. Among REITs that focus more closely on bonds, **Annaly Capital** sought to unload $400 million of its holdings last weekend after its lenders demanded repayment, according to **Bloomberg.**

REITs own roughly $500 billion of mortgage bonds, according to **Nomura.**

Players outside the REIT world have been feeling acute pressure as well. Accentuating a near-freeze in the production of loans that fall outside the **Consumer Financial Protection Bureau's** "qualified-mortgage" standards, **Angel Oak Mortgage** said on March 23 that it would halt originations for two weeks. And **Citadel Servicing** has stepped back for 30 days. **Fitch** said on March 25 that nonbank mortgage operations in general would face worsening prospects due to their "limited funding profiles compared to banks." ❖

Lenders Force Issuers' Hands

Several issuers priced small securitizations last week in response to demands from warehouse lenders that they come up with more cash.

One of the deals was a collateralized loan obligation. The others were asset-backed bond transactions underpinned by a range of collateral. Each was privately placed with one or two investors, as opposed to being widely syndicated, sources said.

The offerings either were unrated or carried private ratings that were undisclosed.

Chances are that issuers would have preferred to wait before coming to market, especially given massive spread widening that has taken place amid the coronavirus crisis. But they apparently were under pressure to reduce leverage in their warehouse lines, and either didn't want to post additional collateral or didn't have the means to do so.

Indeed, warehouse lenders have been clamping down on a range of borrowers this month. "Basically, firms had to pay back some lenders," one source said, adding that the deals priced the same day they were offered. ❖

Fed Action Prompts Libor Buzz

Expectations are mounting that Libor's expiration could be delayed.

The speculation comes in response to the **Federal Reserve's** decision to peg financing rates for its emergency Term Asset-Backed Securities Loan Facility to Libor-based swaps, rather than its own Secured Overnight Funding Rate.

The Fed separately has been favoring SOFR to become the main benchmark for floating-rate securities upon Libor's expiration, currently scheduled for yearend 2021. But given the selection for TALF, the current talk is that the central bank simply has too much work to do in stabilizing the financial market to ensure a smooth transition.

In its term sheet for TALF, released March 23, the Fed said the program's pricing structure would be updated to account for the expected industry transition away from Libor if necessary.

While the actual power to keep Libor in place ultimately resides with the **U.K. Financial Conduct Authority,** the thought is that the Fed's stance could signal some expectations of flexibility. The authority said on March 25 that "the central assumption that firms cannot rely on Libor being published after the end of 2021 has not changed and should remain the target date for all firms to meet."

However, the U.K. regulator acknowledged that some institutions would have difficulty meeting interim milestones for ending their use of the benchmark. It will continue to monitor the impact on transition timelines.

The Fed's Alternative Reference Rates Committee also has been pushing for legislation from **New York State** that would designate SOFR as an automatic replacement for Libor. That would ease uncertainty about what will happen to outstanding deals whose terms don't anticipate the benchmark's permanent cessation. But hopes of passage during the 2020 legislative session have faded as the coronavirus crisis has become a priority. "It was a bit of an outside shot before. Now it's not even a remote possibility," one source said. ❖

IMN Turns to Online Outreach

With its conferences canceled through August, **Information Management Network** is ramping up its online presence.

IMN managing director **Jade Friedensohn** said the conference organizer will begin hosting virtual events in April to help structured-finance professionals navigate the upheaval spawned by the coronavirus pandemic. IMN followed a similar playbook in the wake of the 2007-2008 financial crisis, offering webcasts designed to bring together market participants in a vastly altered landscape.

The virtual events are free and open to active market participants. "We will be offering not only content, but meaningful networking opportunities," Friedensohn said, adding that IMN is seeking "to help the industry get through this and to not profit from this."

Conference organizers have taken a big financial hit since the coronavirus crisis began, scuttling or delaying almost all gatherings since late February. Among the latest casualties are IMN's signature "Global ABS" event, which had been scheduled for June 16-18 in Barcelona. The company also called off its "Investors Conference on CLOs and Leveraged Loans," which had been planned for June 1-2 in New York.

While the schedule of online offerings remains fluid, Friedensohn said the events will address the challenges various asset classes face during the crisis and how best to overcome them. IMN will use its regular marketing partners to advertise each event.

The organizer is planning a return to its live conference schedule with the "Global Investors' Conference on Securitization" on Sept. 11-12 in Beijing. That event had originally been set for March 27-28. Its main-event "ABS East 2020" still is scheduled for Oct. 5-7 in Miami Beach.

Though it remains unclear how soon government entities will begin allowing large-scale events, some organizers are hoping the virus' effects will begin to ebb with the arrival of warmer weather. The **International Institute for Business Information & Growth,** for instance, has rescheduled its annual education-finance conference in Washington for July 16-17. It originally was set for May 18-19. The venue, the Hilton Crystal City at Reagan National Airport, is unchanged. The price of rooms has been reduced. ❖

Fortress Recruit Sizes Up Downturn

Longtime structured-product investor **Stuart Lippman** has landed at **Fortress Investment** with a mandate to find opportunities created by the market's recent dislocation.

Lippman started as a managing director in Fortress' New York office this week, bringing with him the remnants of two hedge funds that he ran at **TIG Advisors** until yearend 2019. Also following him to the firm is **Tony Tang,** formerly a managing director at TIG.

As they did in the past, the funds will trawl for opportunities across the structured-finance market. But this time, the returns could be outsized. The prices of various securitized products have plummeted in response to the coronavirus pandemic, and government programs designed to support the market are just getting started.

Structured-product funds generally struggled to find high-yielding plays in recent years, as spreads tightened sharply.

Sources said Lippman's vehicles today run about $175 million and will be rebranded as Fortress products. At one time, they held more than $1 billion. While the identities of the funds couldn't be confirmed, Lippman's exit came amid plans by TIG to unwind its TIG Securitized Asset Fund and TIG Sunrise Fund. He had started those entities in 2012 with **David Liu,** who also left TIG around yearend.

Sources said conversations between Lippman and Fortress began more than nine months ago.

Before joining TIG, Lippman ran a proprietary-trading unit at **RBC** with a focus on mortgage products. Tang joined the team in 2014 from **Credit Suisse,** where he was a structured-product analyst. He also has spent time at **ABN Amro** and **Discover.** ❖

Capital Available for CLO Issuers

Banks continue to offer new warehouse lines to collateralized loan obligation issuers, even as they demand that those firms pledge additional assets against existing facilities.

According to a report from **U.S. Bank,** the number of open lines of credit maintained by CLO issuers grew to 72 in mid-March from 66 a month earlier. Among facilities open for less than 30 days, the total jumped to 13 from six.

There was no change in the number of lines open for 31-60 days, 61-90 days or 91-120 days. But the number of lines open for 121-180 days fell to 13 from 16, while those open for 181-270 days rose to 16 from 12 and those open for more than 270 days fell to 13 from 15.

The shifts offer a glimpse into how warehouse lenders are managing their exposures as leveraged-loan prices plunge amid the coronavirus crisis. On one hand, banks recognize that CLO issuers who start building loan inventories today may be able to take advantage of substantial bargains. But those institutions also have sought protection from declines in the values of existing warehouse assets, typically in the form of added collateral.

Industry participants also are keeping an eye on shutdowns of nonessential businesses, with an eye toward measuring how well current loan prices mesh with the durations of those closures.

"If it's just 30 days, that's no big deal. If it's six months, that's different," one source said, adding that "the mood changes from day to day."

While U.S. Bank's report doesn't measure the total dollar volume of CLO issuers' warehouse funding, **Wells Fargo** estimates that banks collectively have $10 billion to $12 billion of exposure.

Several additional warehouse lines were still under negotiation in the past week. There also has been talk of bilateral facilities, in which a bank both offers a warehouse line to a CLO issuer and agrees to buy the resulting bonds. Those arrangements can offer more flexible terms than widely syndicated offerings, including extremely short non-call periods.

For example, **GSO Capital** obtained a bilateral facility from **Citigroup** in February 2009. The resulting CLO, completed that March, included a senior class that priced at 90 cents on the dollar and carried a coupon of 450 bp over three-month Libor. The arrangement netted GSO a 100 bp profit when the firm called the deal six months later. "It'll be interesting to see what creative structures people come up with now," one source said.

Spreads on senior CLO securities today are at similar levels as investors have fled toward more liquid products. Wells cited a range of 425-475 bp this week. But the average dipped below 400 bp by mid-week as investors took some comfort in moves by the **Federal Reserve** to prop up the financial system and Congress neared an agreement on a massive stimulus bill. By comparison, spreads on triple-A-rated CLO paper were at 125 bp at the end of February.

Amid the turmoil, issuers worldwide have completed 12 CLOs totaling $5.1 billion this month, according to **Asset-Backed Alert's** ABS Database. ❖

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Secondary Trading Hits Standstill

The secondary market for asset- and mortgage-backed bonds is frozen.

Bid lists totaling an estimated $2.5 billion were circulating this week. But only a fraction attracted meaningful offers, with would-be buyers citing cash shortages and concerns that a recent decline in values would continue as the coronavirus crisis deepens.

"There are a ton of bid lists making the rounds, but basically no buyers. The secondary market is completely locked up," one investor said.

While some opportunistic buyers were poking around at the offerings, meanwhile, those operations largely found themselves sidelined as banks denied them the leverage needed for the purchases. "There is no liquidity on the secondary market. The banks are unwilling to help," another buy-side specialist said.

So what might get things moving again? Some banks and investors are holding out hope that the **Federal Reserve** will expand its newly relaunched Term Asset-Backed Securities Loan Facility to deals issued before March 23 (see article on Page 1).

Such a move would give buyers access to cheap short-term financing for their purchases, instantly juicing trading activity. Should the Fed choose not to act, however, the fear is that the secondary market could enter an extended period of illiquidity that also could weigh on new-deal supply for years. "We need TALF for the secondary market to stabilize, or new issue will never get going again," one trader said.

Uncertainty surrounding TALF and fears of a major economic slowdown had the new-issue market at a near-standstill this week, even as the Fed pumped liquidity into the broader financial market and Congress appeared poised to pass a massive stimulus package.

Meanwhile, spreads continued to widen. Banks were quoting triple-A-rated credit-card securities with two-year lives at 310 bp over swaps at the beginning of this week. On March 19, they were at 185 over swaps, according to **Deutsche Bank.** On Feb. 27, they were at 12 bp. ❖

JP Morgan Piles Up Assignments

J.P. Morgan has sprinted to an early lead in the league table for structured-product bookrunners worldwide.

The bank has run the books on approximately $25 billion of asset-backed bonds, residential and commercial mortgage bonds and collateralized loan obligations over the first three months of the year. That places it almost $10 billion ahead of **Bank of America** and **Citigroup,** according to preliminary figures from **Asset-Backed Alert's** ABS Database.

How the coming months will play out in the standings is anyone's guess, however, as the coronavirus crisis takes a heavy toll on supply. Citi was the 2019 winner, followed by J.P. Morgan and BofA.

Asset-Backed Alert will publish its final first-quarter league tables on April 3. ❖

Investors Flock to DealVector

DealVector has seen a surge in registrations for its deal model-hosting service.

The interest comes from current and potential investors in aircraft-lease bonds. Their goal: to see how the securities respond to various stresses created by a decline in air travel caused by the coronavirus pandemic.

On March 23, **Fitch** revised its outlook for aircraft-lease bonds from "stable" to "negative." Pointing to potential credit-quality degradation among the companies leasing the jets and possible impairments to the values of the aircraft themselves, the agency cited "unknown and unique risks for the aviation industry."

Five aircraft-lease securitizations totaling $2.1 billion have priced this year, according to **Asset-Backed Alert's** ABS Database. The full-year total for 2019 was 18 deals for $9.9 billion, with just one of those issues pricing during the first quarter.

DealVector has thousands of clients across its product lines. The Sausalito, Calif., operation's model-hosting business allows users to upload and manipulate deal data contained in complex spreadsheets. ❖

CRT ... From Page 1

communicated how they might address that disconnect, in which investors seemingly would be on the hook for losses that don't actually occur. After all, the idea behind forbearance largely is to prevent defaults by giving cash-strapped borrowers time to get back on their feet.

Seething over the possibility that they could quickly be wiped out, investors have turned to the **Structured Finance Association** to plead their case. "We need some more guidance from Fannie and Freddie on this because they appear to be saying that despite offering forbearance, the clock starts anyway. And investors are saying that's nonsense," SFA chief executive **Michael Bright** said.

Large insurers are among the buy-side operations that have sought help from the SFA.

A March 25 call between Fannie, Freddie and investors offered little insight, with one source describing bond buyers as coming away "confused and upset."

The investors' worries are less pronounced for newer deals, in which bondholders assume the risk of actual losses among the referenced mortgages.

Former Freddie chief executive **Don Layton** said the agencies' homeowner-assistance initiatives will provide an important test of their risk-transfer programs, which were created without provisions for such measures. "Those CRT investors are not obviously a direct participant in the large-scale rollout of the existing forbearance program," he said. "That program is, however, designed to produce fewer credit losses than if not undertaken, which would directly benefit them. Hopefully it will work as intended."

Layton added that industry participants also should be mindful of how risk-transfer securities might function should the government revive broad crisis-era efforts like the **Federal Housing Finance Agency's** Home Affordable Refinance Program. "A HARP-type program, which was very successful in reducing credit losses last time around, is definitely made more complex by CRT. Everyone should be reading CRT transaction documents carefully to figure out how such a program might be made to work, as lower credit losses would be to everyone's benefit," he said.

Risk-transfer deals allow Fannie and Freddie to reduce their exposures to defaults on mortgage pools by designating the accounts as reference pools for the securities, with the principal offsetting potential losses. The agencies typically retain the senior portions of the transactions and some of the most-junior notes, while selling the mezzanine classes. Fannie has completed $41.3 billion of such offerings since 2013, including $3.1 billion of deals so far in 2020. Freddie's total issuance weighs in at $68 billion, including $5.6 billion so far this year, according to **Asset-Backed Alert's** ABS Database. The totals leave out insurance-based risk-transfer deals.

Both agencies last priced deals early this month, seemingly fulfilling their issuance calendars for the first quarter. While both also have deals on the calendar for the second quarter, it's unclear how they plan to proceed in the current environment. ❖

Corrections

A March 20 article, "Lender Seizes Aspiring Issuer," misidentified **Atalaya Capital** as the company that took control of **Sky Bridge Financial. Financial Freedom Group** is in the process of taking over Sky Bridge, but hasn't yet completed the transaction. Atalaya didn't supply the $20 million funding facility mentioned in the piece, but rather maintains an agreement to buy Sky Bridge's personal loans.

A March 20 article, "Small-Business Loan Bonds in Crosshairs," incorrectly reported that **Kapitus** was planning to lay off 50% of its staff last Friday. No such layoffs took place. ❖

TALF ... From Page 1

backed by auto loans or leases, student loans, credit-card receivables, equipment loans, dealer-floorplan loans, insurance-premium loans, **Small Business Administration** loans and certain servicer-advance receivables.

The SFA argues that the umbrella also should cover securities underpinned by private label home loans, including those that don't meet the **Consumer Financial Protection Bureau's** "qualified-mortgage" standards. Also on the group's list are bonds backed by aircraft leases, shipping-container leases, personal loans, reverse mortgages, small-business loans without SBA guarantees, timeshare loans and whole-business cash-flows.

There additionally are questions about which types of student-loan bonds will qualify for TALF financing. "Student-loan refinancings to borrowers with advanced degrees and high incomes were introduced by **Social Finance** in 2012," said **Jon Riber,** an analyst at **DBRS Morningstar.** "This was after the original TALF ended, so it is uncertain whether these loans will be eligible. If the Fed views student loan refinancings as private student loans, it is likely they will be eligible."

Riber also pointed out that originations of Federal Family Education Loan Program accounts stopped in 2010. There was a 15% limit on exposures to loans more than 21 months old in the original version of TALF, which could suggest that FFELP deals would be left out if the same structure is used this time around.

When it comes to opening TALF to deals issued before March 23, the SFA argues such a policy would help achieve the program's goals by giving investors access to much-needed liquidity. Among its considerations is the idea that new-loan originations will fall as economic activity dries up, reducing the supply of new securities that qualify for use in the program.

Consider that the volume of new mortgage applications fell 29.4% last week from a week earlier, according to the **Mortgage Bankers Association.** There also are concerns that REITs will issue fewer mortgage bonds as they halt or slow purchases of new loans and cope with a reduction in available warehouse financing (see article on Page 2).

The current lack of TALF financing has only made matters worse for those operations. "There is no expectation currently of TALF for our stuff," one REIT operator said. "The big reason our sector got hit so bad is we do not appear to be getting any government help."

Another complication: While the Fed requires that TALF-eligible securities carry at least two top ratings, the firms assigning those grades have expressed some hesitancy to evaluate new deals in the current environment. What's more, there are indications that the Fed's relief programs are run by a small staff that may be unable to act nimbly.

SFA chief executive **Michael Bright** acknowledges that regulators are unlikely to grant TALF access for every asset class. Still, he characterized the talks as fluid as the Fed and Treasury move closer to getting TALF's re-launch under way. "We're trying to get TALF coverage for all assets and we're not there yet," he said. "But they've been very receptive and have not given us any pushback. Every call with the Fed has resulted in them asking two or three more questions. But the Fed is warning us that they have a lot to do to get this thing operationalized, up and running."

SFA additionally has enlisted its members, including many of the industry's leading lawyers, to help formulate strategies for a TALF expansion. "We're talking to policymakers and aggregating ideas to free cash up to everyone that needs it," Bright said. ❖

Nomura ... From Page 1

with our clients, and we will continue to support them through this difficult market," an individual close to the operation said.

The bank's nervousness comes amid widespread reports that financial institutions have been yanking funding from mortgage aggregators. REITs **AG Mortgage Investment, Invesco Mortgage Capital** and **MFA Financial,** for example, suddenly found themselves in dire circumstances this week upon receiving margin calls they were unable to meet.

Those moves have largely reflected added risks introduced by the coronavirus pandemic and steep declines in the values of the underlying accounts. Loans that don't meet the **Consumer Financial Protection Bureau's** "qualified-mortgage" guidelines were trading at less than 90 cents on the dollar this week, down from 104 cents a month ago, amid a near-halt in new originations.

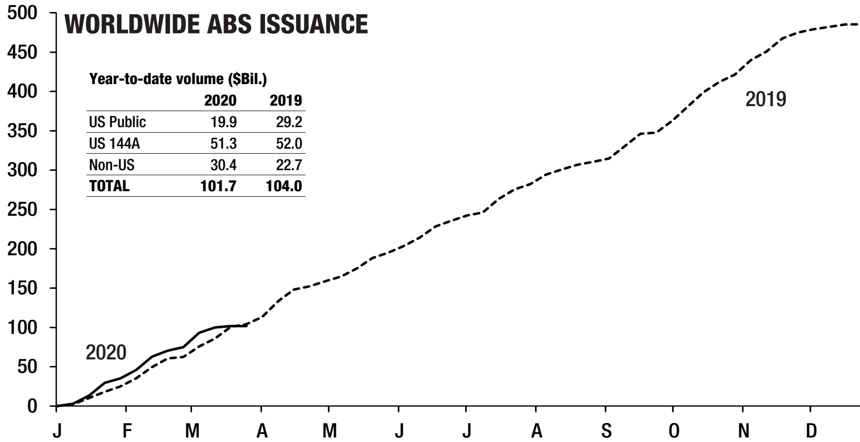
That said, sources indicated banks including **J.P. Morgan** and **Morgan Stanley** had yet to cut off funding despite sharing those concerns. And mortgage-bond issuers were quick to criticize Nomura's strategy, pointing out that the bank jumped out of the securitization-underwriting business amid the 2007-2008 downturn — and then jumped back in as conditions began improving.

The initial focus was on financing prime-quality jumbo mortgages and arranging securitizations of those accounts. The bank then added non-qualified mortgage deals, along with reverse-mortgage bonds and risk-transfer offerings. It also has led offerings backed by rental-home receivables and reperforming mortgages.

Nomura ran the books on $18.1 billion of such offerings in 2019, according to **Asset-Backed Alert's** ABS Database. So far this year, it has racked up $7.5 billion of such assignments. "It's great that Nomura was willing to finance all types of risky home loans when times were good. But then it's the first bank to retract that support in a downturn. It's going to be hard to trust them again," one issuer said.

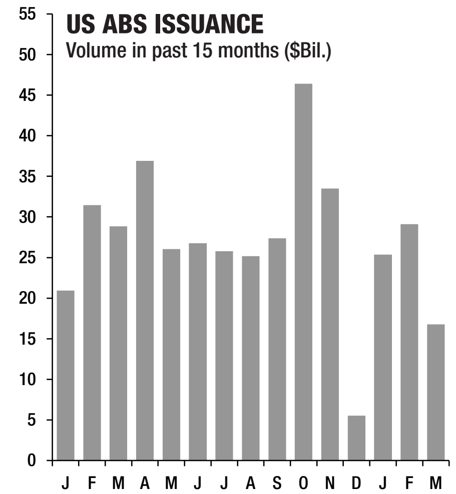
Another issuer bemoaned the impact that a reduction in warehouse funding could have on his business, especially given recent illiquidity in the mortgage-bond market. "With the cost of funds suddenly going way up, the biggest problem we can face is not having a reliable banking partner," he said. "How can we even continue to do business?" ❖

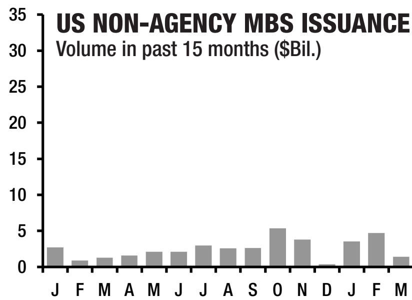
MARKET MONITOR

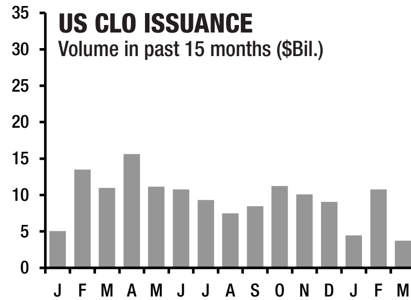


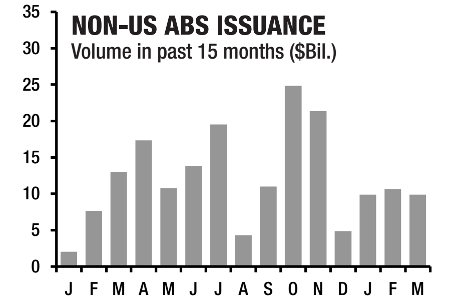
Year-to-date volume ($Bil.)

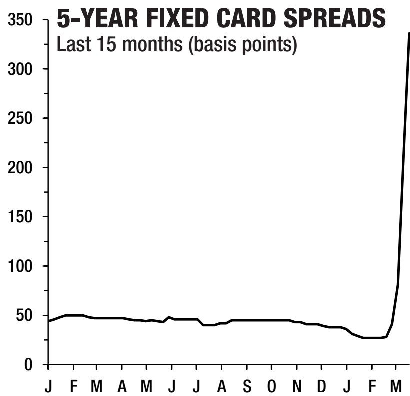
	2020	2019
US Public	19.9	29.2
US 144A	51.3	52.0
Non-US	30.4	22.7
TOTAL	**101.7**	**104.0**







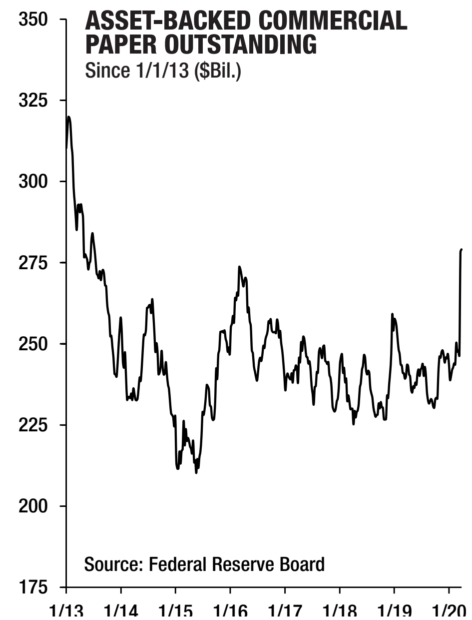


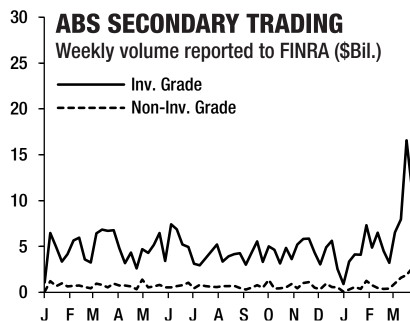


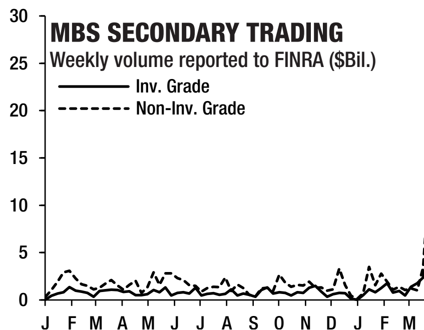
SPREADS ON TRIPLE-A ABS

	Avg. Life	Spread (bps) 3/20	Week Earlier	52-wk avg.
Credit card - Fixed rate (vs. Swap)	2.0	+310	+185	+28.4
	5.0	+336	+211	+50.8
Credit card - Floating rate (vs. 1 mo. Libor)	2.0	+319	+194	+29.9
	5.0	+335	+210	+52.2
Auto loan - Tranched (vs. Swap)	2.0	+370	+220	+38.1
	3.0	+382	+232	+47.3
Swap spreads (bid/offer midpoint)	2.0	+19	+3	+4.9
	5.0	+9	+7	-0.4
	10.0	-8	+0	-5.8

Source: Deutsche Bank







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

THE GRAPEVINE

... From Page 1

today, will help prop up bonds backed by small-business loans. The assistance includes $349 billion earmarked for new **Small Business Administration** loans. Loan proceeds put toward payroll, rent and utilities ultimately will be converted to grants, forestalling repayment, but it's unclear if borrowers can use that money to make payments on other loan obligations. Meanwhile, a swath of bond issuers that lend outside the SBA's scope fear a wave of borrower defaults in the coming weeks. The issue is crucial given that the **Federal Reserve's** revived Term Asset-Backed Securities Loan Facility currently offers financing for bonds backed by small-business loans only if the accounts carry SBA guarantees.

Former **S&P** executive **Philip Galgano** resurfaced in **Egan-Jones'** structured-finance rating unit a few weeks ago. He's a senior director stationed in New York. Galgano had been working as an independent consultant after being caught in a round of layoffs at S&P in 2018. He'd been with the agency for nearly 21 years, most recently heading asset-backed commercial paper ratings in the U.S. Galgano's resume also includes stops at **Deutsche Bank** and **Merrill Lynch.**

Former commercial-paper conduit operator **Gary Miller** joined electronic matchmaker **Finitive** last month as head of sales. The New York firm matches loan originators with institutional investors. Miller had spent the last five years as a consultant assisting clients with a variety of structured-product and blockchain-technology efforts. He previously focused on crisis-era investments at **Verum Capital** and, before that, spent nine years at **Credit Agricole,** where he oversaw two conduits.

Longtime securitization-technology specialist **Frank Deutschmann** has joined New York data company **T-Rex** in a product-management role. Deutschmann arrived from **Simpl,** a Mumbai company that bills customers on behalf of small merchants. He was chief technology officer there from October 2018 to December 2019. Before that, Deutschmann led business development at data-analytics company **DV01,** developed structured-product technology at **FSI Capital** and **Fortis Investments,** and worked in technology-focused roles at **Trepp** and **BlackRock.** T-Rex assists issuers in structuring and tracking performance for a variety of structured products and provides warehouse-tracking data to banks and other clients.

Sales specialist **David Cantor** has left his post at **Performance Trust,** where he placed a variety of structured products. His plans are unknown. Cantor joined the Chicago broker-dealer in 2016 and most recently had been based in its New York office. He previously spent 14 years at **Credit Suisse** in a similar capacity and before that worked at **Greenwich Capital.**

Nomura has hired a structured-finance analyst. **Khakan Haider** joined the Tokyo bank this week as an associate in New York. Haider was most recently in the structured-finance group at **Moody's,** which he joined in 2015.

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