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This issue starts with a case study that illustrates the intersection of corporate finance and structured finance, continues with an eight-article section on the critical role of servicers and trustees in structured finance transactions, and concludes with an article that illustrates the danger of political interference in Philippine infrastructure projects.

Tom Arnold and Bonnie Buchanan present the case of Heilig-Meyers, a furniture retailer that made most of its money on the extension of credit to low-income buyers and used the securitization of accounts receivable to accelerate cash flow and keep growing. The lack of a centralized method for issuing and collecting credit led to a deterioration in asset quality and one of the first cases in which the senior notes of asset-backed securities lost value.

Jonathan Wishnia starts our section on servicers and trustees with an introduction to the role of the servicer and a discussion of issues that affected bondholders, primary servicers, trustees, and other transaction parties in the recent troubled residential mortgage-backed securities (RMBS) environment, including default servicing activities, the role of servicers in non-servicing activities, and the replacement of servicers. Next, Charles Dooley, also reflecting on recent experience, explains how the role of the master servicer has developed in the RMBS market and recommends possible enhancements to that role that might add value to the investor. Then Mark Milner focuses on how servicers use the vast stores of data they have on properties, borrowers, and loans and behavior-based predictive analytics to mitigate losses in MBS portfolios.

Shannon Frazier provides an introduction to the role of the trustee and a discussion of fundamental trustee issues that arise in virtually all financings that involve a trust structure, including definition of the capacities in which a trust is authorized to act, indemnification of trust companies for acts relating to their roles as trustees, the authority of a party such as the owner-participant or the beneficial trustee to direct the trustee's actions with respect to the trust, and the limitation of the trustee's responsibilities.

Robert Coughlin and Ripley Hastings begin our discussion of challenges faced by trustees during the financial crisis with a historical review of events including the collapse of the mortgage originator and servicer industry, the collapse of the asset-backed commercial paper (ABCP), structured investment vehicles (SIVs), and collateralized debt obligation (CDO) markets, and the Lehman bankruptcy. They outline problems that arose for trustees such as the need to find successor

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servicers, challenges to repurchase demands, public opposition to foreclosures, the need to clarify the trustee's role as the pace of foreclosures increased, the limited ability of servicers and trustees to undertake loan modifications, the difficulty of liquidating CDOs in a falling market, tensions among competing tranches, ambiguities and contradictory or incomplete terms in highly complex documents involving multiple-tranche structures, disputes regarding the terms of subordination, and uncertainty over rights to terminate swaps with Lehman Brothers. They explain lessons learned such as the need for greater document clarity, including more clearly defined subordination terms, waterfalls, and repurchase obligations, the danger of last-minute language compromises as agreements are finalized, and the need to provide for interpretive disputes and events that once seemed remote, such as the failure of an insurer or of an investment banking firm.

Kevin Buckley recommends various ways standard operative documents should be modified and clarified based on the issues trustees faced in connection with the mortgage crisis. He explains the need to clarify loan modification provisions, to provide for deal parties no longer in existence or unable to perform due to bankruptcy, to provide for deemed consent from holders of book-entry securities, to establish guidelines for trustees to provide loan-level data and other information to investors, to clarify the trustee's responsibility in identification of breaches and the enforcement of loan representations and warranties, to clarify the indemnification of the trustee for costs and expenses related to complying with new laws and regulations and its work relating to bankruptcy matters, and to specify who pays the trustee for servicing transfer costs if a terminated servicer does not pay them.

Patrick Tadie and Antonio Nunes point to the lack of investor confidence in today's debt capital market and explain ways structured debt service providers can help renew such confidence in the asset origination, sale/issuance, and ongoing monitoring stages of the asset life cycle. They discuss the utilization of current technology for improved analytics, fraud detection, electronic registry of mortgages, and electronic document custody and tracking. Wrapping up the section on servicers and trustees, Robert Frier recounts that during the financial meltdown ABS indenture trustees demonstrated their capability to handle tasks that extended far beyond what they themselves ever envisioned. He believes ABS trustees are ready and willing to take on more duties to assist issuers and investors, but emphasizes that such obligations need to be spelled out clearly in governing documents.

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We conclude this issue with an article by Rommel Gavieta, who notes that the Philippine government's infrastructure-development program is its main hope for lifting the country's economy, but also observes that potential investors and lenders need to have a higher level of confidence in the country's ability to follow through with reform and reduce corruption and political interference. Mr. Gavieta discusses how infrastructure financing opportunities for the Philippines have been affected by the financial crisis and evaluates the country's experience with vulture funds and Chinese official development assistance.

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