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This issue begins with two timely articles that provide an overview of the structured finance and housing markets. The rest of the issue is devoted to 16 panel discussion summaries from the October 2012 ABS East conference.

In the first of the two articles, Christopher Culp and Paul Forrester comment on recent activity in the U.S. structured finance markets and explore changes that have occurred in certain structured finance products as a result of lessons learned from the financial crisis. They note that certain segments of the U.S. structured finance market, such as auto-, credit card-, and student loan-backed ABS as well as many of the esoteric ABS and insurance-linked securities, have rebounded while other segments, such as private-label mortgage-backed securities, have not. The authors devote particular attention to the collateralized loan obligation (CLO) market, for which we also have three ABS East panel discussion summaries in this issue. Messrs. Culp and Forrester show how the recovery of the CLO market has been intertwined with the market for leveraged loans and how market participants have addressed some deficiencies in the documentation and contractual aspects of CLOs. The authors note that an important underlying reason for renewed interest in certain ABS and lack of interest in others has been the performance of the underlying collateral, but they cannot entirely discount the notion that investors have returned to certain ABS markets in search of risk-adjusted yields purely on the basis of the recent performance of the underlying collateral. They also worry about the prospects for certain troublesome rules required by the Dodd-Frank Act that have yet to be finalized.

In the second article, Celia Chen, Cristian de Ritis, and Mark Zandi observe that housing markets are headed upward and the recovery looks sustainable, even if the pace of activity is weaker than normal. They note, however, that nearly all new mortgage originations are currently being either purchased or guaranteed by the FHA, Fannie Mae, or Freddie Mac. Until questions such as the definition of Qualified Mortgages and Qualified Residential Mortgages are answered and Basel III capital requirements are settled, privately funded mortgage financing will be confined to a small slice of superprime, nonconforming jumbo loans. They see a derailing of the broader economic expansion and related job growth as the major downside risk for the U.S. housing market.

Mark Adelson begins our ABS proceedings with his own extraordinary summary of 14 panel discussions and two keynote addresses. Jason Kravitt summarizes remarks from his panel of experts on current legislative and regulatory issues, including risk-based capital, risk retention, Qualified Mortgages and Qualified Residential Mortgages, Reg AB2, the Volcker Rule, and GSE reform. Tim Mohan and Rachel George provide a slide presentation explaining the regulatory capital and liquidity requirements in Basel 2.5 and Basel III. The U.S. regulators have not yet proposed their own version of the Basel III liquidity requirements, which if adopted in the form proposed by the Basel Committee would greatly increase the costs to banks of providing credit and liquidity facilities to securitization structures, including asset-backed commercial paper conduits. Lisa Filomia-Aktas notes that there continue to be significant changes and challenges with the accounting and taxation for securitization transactions. She summarizes the FASB Exposure Draft on Consolidations and the FASB's new standard relating to fair value measurement. The consolidation model for securitizations is based on control; the most relevant change to that model is the introduction of the principal/agent concept. The fair value measurement requirements add significant new disclosures.

Members of Mahesh Kotecha's two consecutive panels on the importance and value of an NRSRO (nationally recognized statistical rating organization) rating from the investor and NRSRO points of view believe that the NRSROs have made substantial reforms since the financial crisis; that new rating agencies are providing innovative services in selected sectors; that despite the continuing importance of credit ratings for regulatory capital and common risk-language purposes, ratings should be only a supplement to internal risk assessment; that Rule 17g-5 has failed to achieve its original goal to stem rating shopping but has provided data for NRSROs to provide new services; and that there is not much support for the rotation of rating agencies proposed in the Franken amendment.

We have four panel discussion summaries in the area of housing and residential mortgage-backed securities (RMBS). In the panel moderated by Vishy Tirupattur,

Quincy Tang, Laurie Goodman, Kostya Gradushy, and Jim Midanek generally saw a long, slow recovery with significant differences across geographic regions. Trends in housing prices along with increasing short sales and declining delinquencies portend a serious reduction in the shadow inventory in the next few quarters, but the potential for improvement remains sensitive to the health of the overall economy. Investors buying single-family homes and renting them are making a significant difference at the lower end of the market. There will be very limited private label securitizations in 2013, and there remain many divergent views on what shape a new system to replace the GSEs will take.

Raj Dosaj, Michael Bradley, Dan Abraham, Ron D'Vari, and Brian Grow provided numerous examples of the continuing advances in mortgage analytics and predictive capabilities, including the use of accurate property valuations to predict REO and short-sale discounts and models to estimate distressed-sale values; generate property-level cap rates; project prepayments, delinquencies, defaults, and losses given defaults; and to estimate that a loan will be repurchased.

In the panel on investor reporting concerns, Michael Bradley, Ron D'Vari, and Michele Olds focused on problems caused by various factors, including a lack of standardization in loan-level data, higher-than-expected delinquencies and loan modifications, excessively complex deal structures and payment waterfalls, lack of guidance on how to treat loan modifications, disagreement over servicer advance policies, and the inability of servicers to build statistical models or support their stop-advance policies.

In their assessment of the current state of the GSEs (government-sponsored enterprises), Laurie Goodman, Landon Parsons, and Gregory Reiter noted that the policy debate on the future of the U.S. housing finance system would begin in earnest only after the presidential election and would take years to implement. As that policy debate unfolds, winding down the GSEs' portfolios, designing a new single platform and model pooling and servicing agreement, developing a single-agency security, and developing new methods for credit enhancement are interim steps.

Three panels provided views of the current market for collateralized loan obligations (CLOs). Edwin Wilches, David Cao, and Richard Hill discussed structural features, how investors analyze value, risks related to differences in CLO documentation, and considerations related to the purchase of CLO equity. Ian Robinson summarized his panel's consideration of key questions in the analysis of a CLO including structural changes, the equity call, fundamental versus market evaluation, and how to analyze the collateral manager. David Yan, Serhan Secmen, Asshh Parekh, Volkan Kurtas, and Gina Hubbell observed a clear divergence among top and mediocre CLO managers and discussed numerous quantitative and qualitative measures of CLO managers' performance. They see strong CLO issuance continuing into 2013, subject to possible spread compression and credit quality deterioration resulting from too many deals competing for too few loans.

In their discussion of the pipeline for esoteric ABS, Ron Borod's panel members noted that issuers are attracted to this alternative form of financing by generally favorable terms compared to bank financing and the high-yield leveraged loan market. Investors have been attracted to esoteric ABS by attractive relative yields and, despite relative illiquidity, extremely good performance before, during, and

since the financial crisis. This is ironically due to the esoteric nature of the securities, resulting in particularly stringent analysis by the rating agencies and investors.

John Joshi summarized his panel discussion on renewable energy finance and securitization, providing a few examples of deals that have been done and showing that the mechanism exists for more deals to be done as the solar sector moves toward grid parity.

In summarizing opportunities for U.S. investors in Europe, Dean Atkins drew a picture of the current European economic and political environment and highlighted a few attractive areas such as banks doing regulatory capital trades, small- and medium-sized companies in Spain and other European periphery countries, and Dutch RMBS (residential mortgage-backed securities).

Finally, in their panel on social investing and structured products, John Joshi, Stephen Liberatore and Christopher Flensburg discussed the growing trend of investors incorporating environmental, social, and governance (ESG) criteria in their investment mandates while still earning attractive long-term total returns.

Henry A. Davis
Editor