the Journal of STRUCTURED FINANCE

VOLUME 19, NUMBER 4 WINTER 2014

We begin this issue with two articles that address problems that the federal regulatory agencies' proposed risk retention rules pose for two structured asset classes, James Croke and Peter Manbeck addressing the situation with asset-backed commercial paper (ABCP) and Meredith Coffey discussing the particulars related to collateralized loan obligations (CLOs). In the case of ABCP, the federal regulatory agencies charged with writing the risk retention rules related to securitization intend to impose risk retention rules on ABCP conduit sponsors that are acting just as "arrangers" but not on "securitizers" that sell or transfer assets—the intended targets for the risk retention requirements in the Dodd–Frank Act—unless the sponsors meet a series of complex and cumbersome requirements for a safe harbor. Similarly, the federal agencies are intending to apply the risk retention rules for CLOs to the CLO manager, the buyer of the loans, and not to the originator and seller of the loans to the CLO, as would be more analogous to other securitization transactions. Because this is an unrealistic requirement for most thinly capitalized CLOs, the result could be a greatly diminished open CLO market.

Ethan Cohen-Cole and Faten Sabry provide useful background on how the ABX indices were developed, how they are used, and what they can and cannot tell us. They authors describe how, over the course of the financial crisis, the levels of the ABX indices began to reflect not just the increased default risk on the underlying reference mortgages but also the increased perception of risk, lack of liquidity, increased uncertainty, and significant changes in the macro environment, and thus became inaccurate indicators for the valuation of subprime-related securities—and also of questionable validity when used in litigation related to matters such as portfolio valuations, foreseeability of losses in insuring CDOs backed by subprime mortgages, increases in loan-loss reserves, and measures of housing-market default risk.

Marcus Sidki shares some insight into which transactions are really with and without recourse in today's securitization market. He observes that many securitizers are providing some sort of implicit recourse—contrary to regulators' stated policies but not to enough of a degree to provoke disciplinary action. By providing some sort of implicit recourse, he contends that securitizers are facilitating information flow and functionality in the market.

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In his comparative analysis of Fannie Mae's Connecticut Avenue Securities (CAS) and Freddie Mac's Structured Agency Credit Risk (STACR), both designed to securitize the GSEs' mortgage-backed securities risk and place it with investors, Eknath Belbase calculates the implied guarantee fees the agencies are paying on those securities, compares those implied g-fees with the g-fees the agencies are expected to charge to borrowers, and compares the senior subordination in those securities with what he believes the rating agencies would consider appropriate for rating such securities AAA rather than BBB–. As the lengthy debate continues over what will eventually replace the current GSE structure, Mr. Belbase believes these risk-sharing transactions will demonstrate how much risk the GSEs can shed and at what cost.

Laurie Goodman, Brian Landy, Roger Ashworth, and Lidan Yang share their analysis of the first loan-level performance data released by Freddie Mac. The release of these data and a similar release from Fannie Mae are intended to help potential investors in the GSE risk-sharing transactions build credit performance models and thereby help bring private capital back into the mortgage market. They believe these data can be used to price not only risk sharing in the agency market but also new subordinate securities in the non-agency market. Among their other observations, the impact of low FICO credit scores and high loan-to-value ratios (LTVs) on credit performance of Freddie Mac's securities was even higher than expected and guarantee fees on 15-year, low-LTV, high-FICO mortgages have cross-subsidized g-fees on 30-year, higher-LTV, lower-FICO loans.

Rob Couch provides a detailed review of how mortgage-backed securities originated, how underwriting systems and credit scores were developed, how loose mortgage underwriting standards facilitated home price appreciation before accentuating the subsequent rash of defaults and price deflation, how servicers emerged from behind the scenes as mortgage delinquencies and foreclosures escalated following the financial crisis, and how efforts to protect borrowers who have failed to pay their loans have had the effect of compounding the losses from bad loans, thereby encouraging ever more conservative lending and denying mortgage financing to a much larger group of potential borrowers. He points to a deterioration in homeownership that has been disproportionately severe on minorities and young, first-time buyers and makes a strong contribution to arguments over federal homeownership policies by spelling out the long-term benefits of homeownership to individuals, families, and society as a whole.

Summarizing her ABS East 2013 presentation on key economic variables for the housing market and consumer finance, Elen Callahan explains how improvements in employment and wages, a reduction in overall consumer debt, and a rise in housing values have begun to restore consumer confidence from its recessionary lows and are expected to lead to growth in consumer ABS, particularly in the credit card sector.

In their summary of the panel discussion on the state of U.S. housing, Howard Esaki and Laurie Goodman note panelists' views that a new housing bubble seems unlikely at this time even though prices are rising, that institutional investors are continuing to buy large amounts of residential houses but are not expected to create a problem by dumping those holdings on the market, that loan origination data made available to investors have improved but still have a way to go in areas such as servicer performance, and that future homebuyers will include more minority and multi-income households, requiring a reevaluation of mortgage lending criteria.

The panel on shrinking the footprint of Fannie Mae and Freddie Mac, summarized by Marty Hughes, Vicki Beal, Laurie Goodman, and Michael Reynolds, focused primarily on the recent risk-sharing transactions executed by Fannie Mae and Freddie Mac and the role of those transactions in bringing private investors back into the mortgage market. Despite legislative consensus on some major issues, broad agreement on a comprehensive GSE reform plan is highly unlikely before the 2016 elections.

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Summarizing the panel on securitized solar energy contracts, or "sunshine-backed bonds," with their particular regulatory, equipment, and customer-credit-performance characteristics, Mary Rottman notes that this is a new asset class with a limited track record that will most likely start with private placements rated at the lower investment-grade level and progress from there as more performance and credit information becomes available over time.

Susan DiCicco, Amiad Kushner, and Michael Rollin, summarizing the litigation update panel, discuss issues related to put-back, or repurchase, litigation, including disputes over that statute of limitations and original mortgage lenders' ultimate objective to cure defective loans, and then contrast a well-known civil case that turned out differently from an SEC case focused on the same underlying misrepresentation and failure-to-disclose allegations related to a "managed" CLO.

Finally, Frank Dos Santos and Kenneth Lee, summarizing their panel on ABS pricing concerns and considerations, explain the role of third-party data providers, how third-party price information is an important supplement to historical trade prices, and how wider availability of market data has enabled increasingly detailed analysis of market forces that influence prices.

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