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Welcome to the Fall 2017 issue of *The Journal of Structured Finance*. Writing this in early October, I'm reflecting on the flow of recent events that highlights how unpredictable the world can be—in a bad way:

- The summer weather was unkind. Hurricane Harvey brought massive flooding to Texas in late August, causing estimated damage in the range of $86 billion to $108 billion. Hurricane Irma followed right after Harvey, clobbering various Caribbean islands and parts of Florida. Irma caused an estimated $64 billion to $92 billion in damage. In mid-September, Hurricane Maria brought widespread devastation to Puerto Rico, the Virgin Islands, and other areas in the Caribbean.
- Geopolitical tensions increased as North Korea tested a hydrogen bomb on September 3. The country conducted its first ICBM tests on July 4 and July 28 and launched intermediate-range missiles over the Japanese islands on August 29 and September 15.
- Domestic friction reached high levels. The "Unite the Right" rally in Charlottesville, Virginia, on August 12 boiled over in violence, claiming the life of 32-year-old Heather Heyer and injuring 19 others. The rally attracted neo-Nazis (and other right-wing extremists) spouting racist, anti-Semitic, and anti-Muslim rhetoric. Then, in a surprising twist, the President's remarks in the aftermath of the violence seemed to draw a moral equivalence between the extremists and the counter-protesters.
- Finally, the Las Vegas mass shooting on October 2 was the deadliest such event in U.S. history.

Those kinds of events are blunt reminders that the world is more unpredictable than we would like. We are less in control than we would like to think. The point is hardly a new one, and it is not seriously disputed. Nonetheless, it is too often dismissed or de-emphasized because it conflicts with our strong desire to use quantitative models that rely on a presumption of stability (i.e., stationary processes). The practical solution is basic, but seems to elude too many: Use the best possible quantitative tools, but supplement them with the equally powerful tools of judgment, imagination, experience, and common sense.

This issue has a residential mortgage theme and includes a slate of articles devoted entirely to that topic. The issue starts with an article by Michael Fratantoni, chief economist of the Mortgage Bankers Association, on trends in the availability of mortgage credit. Next, Douglas Duncan, chief economist at Fannie Mae, and Michael Vangeloff, a research analyst at Fannie Mae, examine how changes in the Fed's balance sheet may affect mortgage rates and the economy in general.

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The third and fourth articles in this issue both consider the potential effects of higher interest rates. Frank Nothaft, the chief economist at CoreLogic, concludes that rising interest rates will make homes less affordable and that mortgage originations will shift toward purchase loans and away from refinancings. Laurie Goodman, co-director of the Housing Finance Policy Center at the Urban Institute, and Bing Bai, a research associate in the Housing Finance Policy Center at the Urban Institute, point to additional likely effects, including lower profitability in the mortgage industry and a likely increase in second-lien lending (as homeowners finance home improvements rather than trading up).

The issue's fifth and sixth articles are about government-sponsored enterprises (GSEs). In the fifth, Richard Cooperstein, director of model risk management at Andrew Davidson & Co., and Andy Davidson, president of Andrew Davidson & Co., address the issue of whether there is a competitive equilibrium for GSEs. They argue that replacing the current GSE duopoly with a larger number of competing guarantors would not be an effective solution. They assert that the optimal number of GSEs is either two or three and that comprehensive regulation is necessary to address the market's inability to properly motivate or constrain the activities of GSEs. In the sixth article, Kevin Palmer, senior vice president of single-family portfolio management at Freddie Mac, discusses the GSEs' credit-risk-transfer transactions and examines how the pricing of those deals implies a breakeven level for guarantee fees.

The issue's seventh and eighth articles examine specialty mortgage products. In the seventh article, Michael Stegman, a senior fellow at the Milken Institute Center for Financial Markets, explores the potential for a broadly implemented rent-to-own program that could boost homeownership among low- and moderate-income households. In the eighth article, Jack Guttentag, professor emeritus at Wharton and sponsor of the Mortgage Professor website, explores a system for addressing inefficiencies in the reverse mortgage market. He has implemented a system for providing improved transparency to potential reverse-mortgage borrowers.

The ninth and tenth articles are on specialized topics. In the ninth, John Ruddy, Murli Rajan, and Iordanis Petsas, all at the University of Scranton, discuss RMBS litigation. They focus on cases relating to six major U.S. banks. In the issue's tenth and final article, David Zhang, head of securitized product research at MSCI, and Hua Tang, executive director at TIG Advisors, examine performance anomalies in certain cohorts of pre-crisis loans. They conclude that subsequent borrowings partially explain one of the anomalies.

In addition, the issue includes highlights from GlobalCapital and a selection of industry news items from the Structured Finance Industry Group (SFIG), in both cases covering Q3 2017.

As always, we welcome your submissions. Please encourage those you know who have good articles or have made good presentations on structured finance- or project finance-related subjects to submit them to us. Submission guidelines can be found at http://www.iijournals.com/page/jsf/submitanarticle. If you have comments or suggestions, you can e-mail me directly at markadelson@nyc.rr.com.

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