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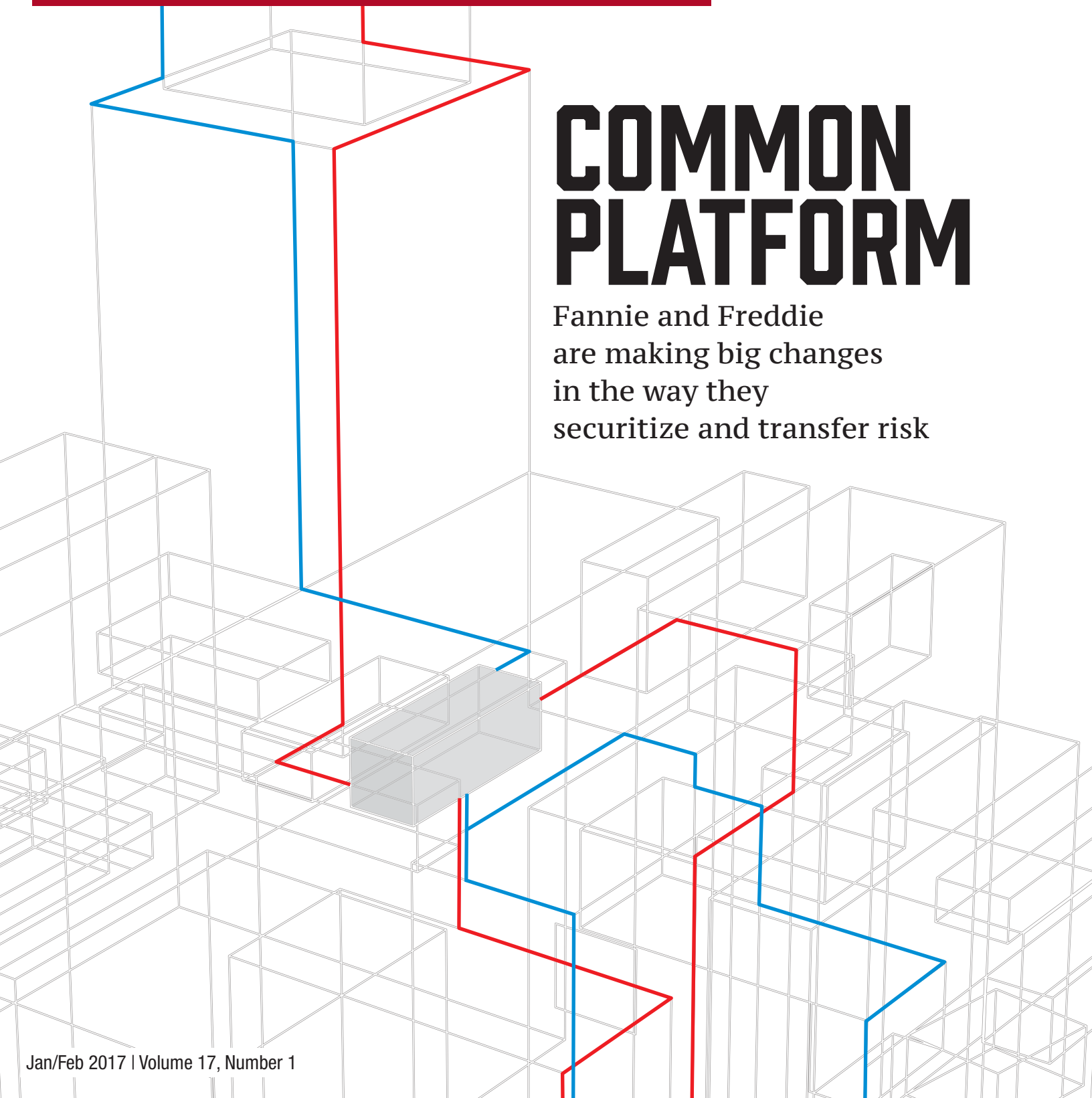

# COMMON PLATFORM

Fannie and Freddie are making big changes in the way they securitize and transfer risk

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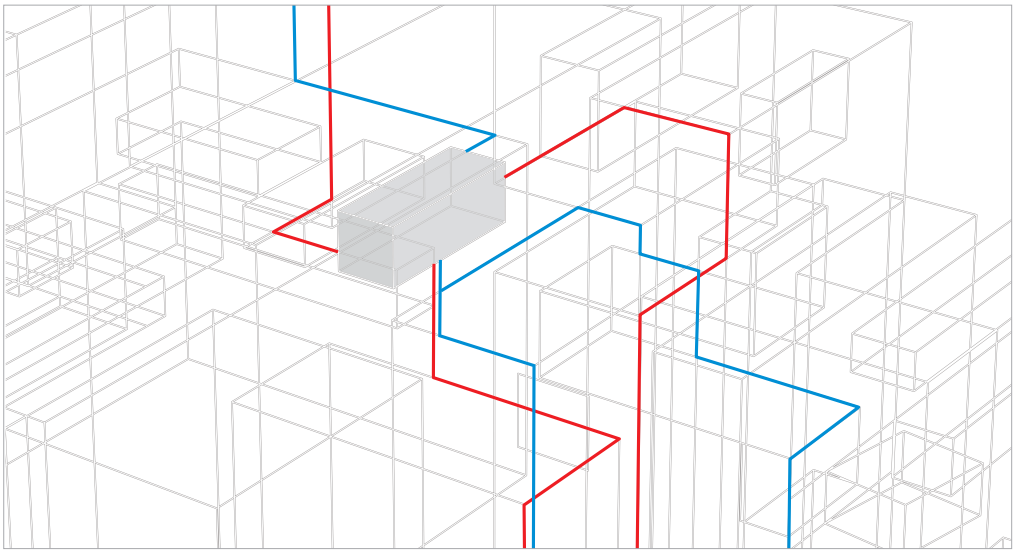
# CONTENTS


**12**
COMMON PLATFORM
Fannie and Freddie are making big changes in the way they securitize and transfer risk

## ABS


**18 Risk Retention, Not Rule**
While 5% is "overkill" this CLO manager sees merit in aligning interests with investors.

**20 LSTA to Appeal**
A Federal Circuit Court shot down its 2016 lawsuit against risk retention for CLOs, but the trade group is undeterred.

**21 Student Debt for Seniors**
Increasingly, the burden of paying for higher education is falling on older Americans.

**22 Still More Auto Lenders**
Community Banks are latest entrants in this overheated market, though they steer clear of subprime.


## MBS


**15 Risk-Based Capital**
Credit risk transfer has come under sharp criticism, but it has big fans on Wall Street.

**17 Ginnie Goes Easy**
The housing agency wants to dispel concerns that may be making it hard to finance mortgage servicing rights.


## GLOBAL


**23 Euro CLOs Resets Rising**


## OBSERVATION


**7 CRT Alone Is Not Enough**
These deals offloading credit losses to private investors cannot replace core capital.

**8 GSE Recap Is a Sideshow**
The impact on the housing market could be quite negative, and it's just not worth the risk.

**9 No, It's the Main Event**
If Fannie and Freddie are compelled to scale back, big banks will dominate the housing market.

**10 Subprime Auto to Worsen**
Credit enhancement can only so much to offset mounting losses; eventually bondholders will suffer.





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# EDITOR'S LETTER

## House in Order

For years, it has been difficult to get housing finance reform off the back burner. Now the call by President-elect Donald Trump's pick for Treasury secretary, Donald Mnuchin, to privatize the two government-sponsored enterprises puts the issue front and center, even if his plans clash with those of prominent Republican lawmakers

As the GOP battle looms, two common platforms are being developed will inevitably play a big role in the outcome, whatever it is.

Think of them as the plumbing and electric of housing finance.

The first is the Common Securitization Platform, a new infrastructure that will eventually allow Fannie Mae and Freddie Mac to issue a single mortgage-backed security. As Jacob Passy of sister publication National Mortgage News explains, an upgrade to the deteriorating platforms the GSEs have been using was long overdue. It will also eliminate a discrepancy in secondary market pricing between mortgage bonds issued by Fannie and Freddie.

But the new software could also be adapted for use by in private-label securitization. This would make it more feasible to privatize the mortgage giants; the CSP could become a sort of financial utility.

Likewise, securities that Fannie and Freddie have been developing for the past several years to transfer mortgage credit risk to the capital markets also have a role to play in the future of housing finance. The scope of this role is a matter of debate, however. In a sidebar, I examine arguments that this kind of mortgage reinsurance is a poor substitute for traditional equity capital.

**—Allison Bisbey, Editor in Chief**

# SocGen, Mitsubishi Move Up

**By Glen Fest**

Two newcomers, Societe Generale and Mitsubishi UFJ, displaced Goldman Sachs and Morgan Stanley in the Top 10 for full-year 2016.

Societe Generale finished with the sixth-highest total volume - $8.37 billion - on the industry's league tables for public, non-144A ABS collateral transactions (excluding collateralized loan obligations) . Meanwhile, Mitsubishi UFJ Securities Co. ended 2016 with $6. 4 billion in deals.

Last year, Goldman (with $6.9 billion in deals) and Morgan (totaling $6.7 billion) rounded out the top 10.

The remaining eight banks in the top 10 were the same as last year, with the top 5 institutional ranking unchaged. JPMorgan Securities was again atop the tables with 52 deals in 2016, comprising $18.16 billion in volume and a 12.9% market share. The No.2 deal-maker was Wells Fargo with a 10.5% market share through $14.8 billion in transaction volume last year. Barclays, Bank of America Merrill Lynch and Citigroup rounded out the top five .

Three banks in the bottom half shuffled places: Deutsche Bank fell from No.7 to No. 8, leapfrogged by RBC Capital Markets, while Credit Suisse dropped to 10th as ABS deal volume declined by more than half to $5.6 billion.

## Q1-Q4 2016

| Underwriter | Deal Vol ($m) | Share | Rank | # of Deals |
|---|---|---|---|---|
| JP Morgan Securities Inc. | 18,159.8 | 12.9 | 1 | 52 |
| Wells Fargo Securities, LLC | 14,812.3 | 10.5 | 2 | 37 |
| Barclays | 14,329.6 | 10.2 | 3 | 44 |
| Bank of America Merrill Lynch | 12,690.4 | 9.0 | 4 | 36 |
| Citigroup Global Markets, Inc. | 11,892.5 | 8.4 | 5 | 34 |
| Societe Generale Corporate & Investment Banking | 8,372.7 | 5.9 | 6 | 27 |
| RBC Capital Markets | 7,831.1 | 5.6 | 7 | 27 |
| Deutsche Bank Securities, Inc. | 7,640.0 | 5.4 | 8 | 21 |
| Mitsubishi UFJ Securities Co., Ltd. | 6,412.3 | 4.5 | 9 | 19 |
| Credit Suisse Securities (USA) LLC | 5,624.0 | 4.0 | 10 | 16 |
| **Total** | **141,100.0** | | | **148** |

## Q1-Q4 2015

| Underwriter | Deal Vol ($m) | Share | Rank | # of Deals |
|---|---|---|---|---|
| JP Morgan Securities Inc. | 21,766.8 | 12.8 | 1 | 51 |
| Wells Fargo Securities, LLC | 17,407.2 | 10.3 | 2 | 32 |
| Barclays | 17,234.2 | 10.2 | 3 | 48 |
| Bank of America Merrill Lynch | 16,568.1 | 9.8 | 4 | 42 |
| Citigroup Global Markets, Inc. | 16,443.1 | 9.7 | 5 | 46 |
| Credit Suisse Securities (USA) LLC | 12,099.0 | 7.1 | 6 | 32 |
| Deutsche Bank Securities, Inc. | 11,260.5 | 6.6 | 7 | 26 |
| RBC Capital Markets | 9,435.4 | 5.6 | 8 | 33 |
| Goldman Sachs & Co. | 6,891.7 | 4.1 | 9 | 16 |
| Morgan Stanley & Co. Incorporated | 6,730.8 | 4.0 | 10 | 17 |
| **Total** | **169,442.9** | | | **180** |

*Source: SourceMedia*

OBSERVATION

# GSE Risk Transfer is Not Enough

A legislative proposal would expand Fannie Mae and Freddie Mac's use of debt securities to share their risk with private investors, but such deals are not a replacement for core capital.

**By Landon D. Parsons and Michael Shemi**

Eight years after Congress placed Fannie Mae and Freddie Mac into conservatorship, their long-term future and that of the housing finance system appear no clearer.

Yet most everyone agrees about the importance of returning private capital to the mortgage market, regardless of what happens to the two government-sponsored enterprises. Lately, policymakers have supported using expanded risk-sharing as a way for Fannie and Freddie to raise more private capital. But using risk-sharing alone without more equity is not the best approach for ensuring the safety of the mortgage finance system.

Two recent news developments have shined a brighter spotlight on the need for more private-market support of the GSEs. First, Treasury Secretary-designate Steven Mnuchin signaled in a television interview that he would support getting the two companies "out of government ownership," though it was unclear if that meant restoring them to their pre-conservatorship status or some other form.

Second, House Reps. Ed Royce, R-Calif., and Gwen Moore, D-Wis., introduced a bill mandating that Fannie and Freddie dramatically increase their use of credit risk transfer programs.

Credit risk transfer — or "CRT" — allow Fannie and Freddie to access private-sector capital to hedge potential losses in their guarantee book. Under CRT deals, investors typically pay upfront for specially-created debt securities that are meant to help shoulder credit losses suffered by the GSEs.

Those believe that CRT can in effect replace equity capital need to understand the risks of doing so. In practice, CRT is less stable during times of market stress than equity capital, moderately expensive compared to other credit protection markets, and of insufficient size to fully replace equity support. CRT is an important tool to supplement regulatory capital, but it is not a replacement for equity — such as retained earnings, a rights offering, a mutual cooperative, an IPO or a utility model.

Right now, Fannie and Freddie are in conservatorship, operating without capital. That's unsafe, and the current FHFA risk-sharing programs alone do not fully address this issue.

Equity capital (generated by retaining profits or raising common equity) is needed to support both unexpected losses and loss-provisioning stemming from expected losses. The GSEs need to ensure mortgages can be made to qualified borrowers when economic conditions are both good and bad.

Conversely, the investor base for CRT debt securities is dominated by credit investors such as insurance companies, money managers and hedge funds. These investors are rightfully focused on profit opportunities and not the stability of mortgage markets. Accordingly, the very time in the housing finance cycle when CRT will be of most value to the GSEs is exactly the time when it is likely to be the most expensive and the least available as these investors flee to safety.

CRT transfers much less credit risk than may be expected. Statements that quote the successful transfer of risk on the face value of billions of dollars of loans can be rather misleading because CRT only hedges a portion of credit risk. For example, in the first nine months of 2016, Fannie and Freddie have sold securities tied to $1.2 trillion in mortgages, but with only $35 billion in actual risk transferred. Furthermore, the stated protection "offered" at the onset of the deal declines as the loans pay off. Under reasonable market-based scenarios, a CRT offering 4% of loss protection declines quickly. This has the potential of exposing the GSEs to tail risk.

For the safety and health of the U.S. economy and taxpayer, policymakers should expand the private capital debate to include an appropriately balanced mix of both CRTs and permanent equity.

*Landon D. Parsons and Michael Shemi are a senior advisor and senior vice president, respectively, in the financial institutions advisory group at Moelis & Co. The views expressed in this article are those of the authors and not necessarily the views of their employer.*

OBSERVATION

# GSE Recap Just a Sideshow

Discussions about recapitalzing Fannie Mae and Freddie Mac detract from the real debate over long-term housing finance reform.

**By Michale Bright**

"Large financial institutions need to have more capital," say many policymakers in Washington. But in the case of Fannie Mae and Freddie Mac, this statement is not so simple. With these two institutions in conservatorship, the type of capital and where it comes from matter.

First, some fundamentals. Fannie and Freddie have capital today. Lots of it – $256 billion, in fact. This does not change in 2018, as some have argued.

That is because of the terms of the Senior Preferred Stock Purchase Agreements (or "PSPAs") that the two companies entered into with Treasury in 2008, when they were put into conservatorship. The PSPAs promised that at all times the Treasury – in other words taxpayers - would keep the GSEs solvent and functional no matter what.

Think about that for a minute. In perpetuity, unless or until Congress undertakes GSE reform, the United States government must keep the GSEs solvent by adding capital to their balance sheets if the value of either firm goes below zero. A legally binding promise like this from Uncle Sam is a robust source of capital.

Now if Fannie and Freddie already have capital, what do people mean when they say the GSEs "should be allowed to rebuild capital"? Well, these arguments fall into two camps. One stems from a political concern. The other is more transparently self-serving.

Let's start with the political argument. This line of thinking says that a "draw," meaning a quarter where the GSEs lose money and need to have Treasury make good (again) on its promise to keep them solvent, would cause a political backlash. And so, this argument goes, allowing the GSEs to retain earnings lessens the risk of a bad headline and poor public policymaking.

Maybe, but I doubt it. For evidence, look no further than the Federal Housing Administration. It recently suffered balance-sheet insolvency and needed support for a short period. There were bad headlines, yes. But no laws were passed to irresponsibly torch FHA.

The other argument says the GSEs should follow a corporate restructuring process that begins by allowing them to retain earnings. This reasoning ignores a big part of how those earnings are possible: Because the Treasury stood behind them via the aforementioned PSPA's in 2008, and still does today.

Such a recapitalization could potentially benefit investors in the two GSEs, who have been arguing for the reinstatement of their shares.

More importantly, the impact on the housing market of a recap could be quite negative. Treasury has spent eight years saying the MBS issued by Fannie and Freddie have government backing. This promise is why central banks and pension funds across the globe have purchased these securities, thus keeping interest rates low. It is also what makes their to-be-announced futures market function. This, in turn, allows prospective homebuyers the ability to lock in a rate before closing. If the GSEs are instantly treated like private companies, this backing could be questioned.

And so we face a fundamental question: are Fannie and Freddie private companies, as the shareholders argue? Or are they government agencies, like their MBS investors believe? This is a legitimate debate. Do we really want to find out inadvertently by trying this "recap" experiment?

It would take over a decade for the GSEs to recapitalize themselves using retained earnings to the point of being anywhere near safe. Are investors who purchased their delisted shares really planning to sit tight? Maybe. And some of them seem to believe in their position. The more thoughtful ones admit that they'd need to make an additional equity injection for the plan to work.

The problem is that some of these investors simply want to find a new set of marginal buyers so that they can sell right now. Hence, the "recap" push. For these investors, it's not about systemic risk. It's not about helping policymakers sort through challenging questions. It's about letting them sell their stake immediately at a small gain.

*Michael Bright is a director at the Milken Institute's Center for Financial Markets. He previously worked at Blackrock, the office of Sen. Bob Corker, R-Tenn., and the Office of the Comptroller of the Currency.*

OBSERVATION

# Sideshow? It's the Main Event

Community banks, and consumers, will be the big losers if Fannie and Freddie are compelled to scale back after another bailout, allowing big banks to dominate the market.

**By Glen Corso, Scott Olson**

We write jointly as representatives of community mortgage lenders to take issue with the opinion piece entitled "'Recap' Experiment is Just a Sideshow."

The underlying premise of this piece — that there is no difference between a standby line of credit for the government-sponsored enterprises and their having actual equity capital — is totally inconsistent with what we commonly know about business and what we know about regulation. And it is dangerously misleading at a time when the net worth of Fannie Mae and Freddie Mac is in the process of dropping to zero within a year because of the so-called sweep agreement.

Despite the fact, documented by the Congressional Budget Office, that Fannie and Freddie have contributed $63 billion to taxpayers (on top of repaying their 2008 advance), the sweep agreement not only takes away 100% of their net profits every quarter — but takes away a portion of their remaining capital each year, reaching zero net worth in January 2018.

Claims that the GSE's lack of real capital is a "sideshow," that a line of credit is just as good as real capital — and that this does not have consequences — is directly rebutted by the GSEs' regulator, the Federal Housing Finance Agency. In a February 2016 speech, FHFA Director Mel Watt said that the GSEs' lack of capital is their "most serious risk." He warned of real world consequences of a Treasury Department draw, including harm to investor confidence in the GSEs' mortgage-backed securities and "a legislative response adopted in haste or without the kind of forethought it should be given."

In arguing that there would be no political risk to what will almost certainly be mischaracterized as "the second GSE bailout in nine years," the author points to the Federal Housing Administration, saying there were no repercussions to its recent financial issues. But that gets it exactly backward — the fact that the FHA had tens of billions of dollars of capital to weather the storm saved it from calls to dramatically scale it back. And even that did not come without a price to borrowers, who experienced substantial premium hikes, some of which persist today.

For all these reasons, our organizations have continued to call on FHFA to use its legal authority as conservator to suspend dividends for a period of time in order to allow Fannie and Freddie to build up a modest capital buffer, and thus avoid a contrived Treasury advance, with its negative consequences

The second issue is the proper role of Fannie Mae and Freddie Mac, and whether and how to recapitalize them. Community mortgage lenders — and borrowers — have a big stake in this outcome. Eliminating the GSEs, or significantly scaling back their role, runs the risk of allowing the too-big-to-fail banks to monopolize or dominate GSE markets through their control over the secondary market and risk sharing. This is bad for community lenders — and bad for consumers, who will see a less competitive market, fewer choices, higher mortgage rates and costs and less personalized service.

The prior Congress' Senate approved a bill that would eliminate the GSEs — raising precisely these types of concerns, particularly whether community- and medium-sized lenders would continue to have fair and equal access. That bill at least promised that smaller lenders would be taken care of by an unknown entity that would be capitalized by GSE profits. Three years later, because of the sweep agreement, that promise is not being kept. Consumers and smaller lenders alike have reason to be concerned.

Thus, whether, and how, to recapitalize the GSEs is not a sideshow. It is an essential question that must be resolved in order to maintain the critical role the GSEs play in facilitating a competitive market. We take exception to the canard that anyone that advocates for recapitalization of the GSEs is a shill for GSE investors. Our organizations support a continued GSE role because the market and consumers would not be well-served by if the market is dominated by the biggest banks.

*Glen Corso and Scott Olson are Executive Directors of the Community Mortgage Lenders of America and Community Home Lenders Association, respectively.*

# Whole Lot of Hurt in Auto ABS

When credit enhancements can no longer absorb the impact of borrower defaults, cash flows will become constrained and bondholders and trusts will suffer losses.

**By Joe Cioffi**

Subprime loans were the fastest-growing segment of the loan market, comprising a significant portion of new originations. An active securitization market fueled the rapid growth. Small nonbank lenders formed to take advantage of the profits to be made at the riskier edges of the market. Delinquencies rose. Lenders went deeper down the credit scale, targeting sub-subprime borrowers. Regulators issued warnings regarding rising delinquencies.

It all sounds like the lead-up to the 2007 subprime mortgage crisis, right? It's actually the state of the auto loan market in 2016. The similarities are there for all but the (willfully) blind to see. So where does this road lead?

To start, there are significant differences between today's subprime auto loans and subprime mortgages of the past. The auto loan securitization market is just a small fraction of the size of the subprime residential mortgage-backed securities (RMBS) market at its peak; thus, the auto loan securitization market's potential to disrupt the economy should be that much less significant.

Moreover, this time around, large banks are generally not making the riskiest loans or taking the other side of big downside bets.

Further, the success of the auto loan securitization model is not premised on faulty assumptions of ever-rising collateral values and the ability of borrowers to refinance out of burdensome terms, as was the case when scores of adjustable-rate mortgages were set to readjust at the time of the housing market crash. There is also no government-sponsored buyer or guarantor in the market on the verge of collapse. Finally, auto loans are of much shorter duration and, in fact, delinquency rates may merely be normalizing, following a low-delinquency period.

Despite the differences, investors in subprime auto loans may not be in the clear.

Asset-backed securities investors keep investing, relying on overcollateralization and subordination. However, similar credit enhancements were common in pre-crisis RMBS and investors have still sued and recovered significant claimed losses. Overextended borrowers once chose their cars over their homes, despite the prospect of rebounding home values. This time around, borrowers facing interest rates that exceed 20% may be more inclined to walk away from depreciating vehicles if they find themselves underwater and sinking deeper. Mechanisms that aid repossession of vehicles upon default provide some assurance of recoupment, but recovery of a continually depreciating asset is a doomed make-whole strategy.

Though some may dispute the magnitude of the issue, when credit enhancements can no longer absorb the impact of borrower defaults, cash flows will become constrained and bondholders and trusts will suffer losses.

A New York Times article in November observed that the impact of any fallout from subprime auto loans should be less damaging to the broader financial system. The largest banks, after all, are not providing the riskiest loan products. However, originations do not tell the full story. Some of the largest banks are managers, trustees and servicers in subprime auto loan securitizations.

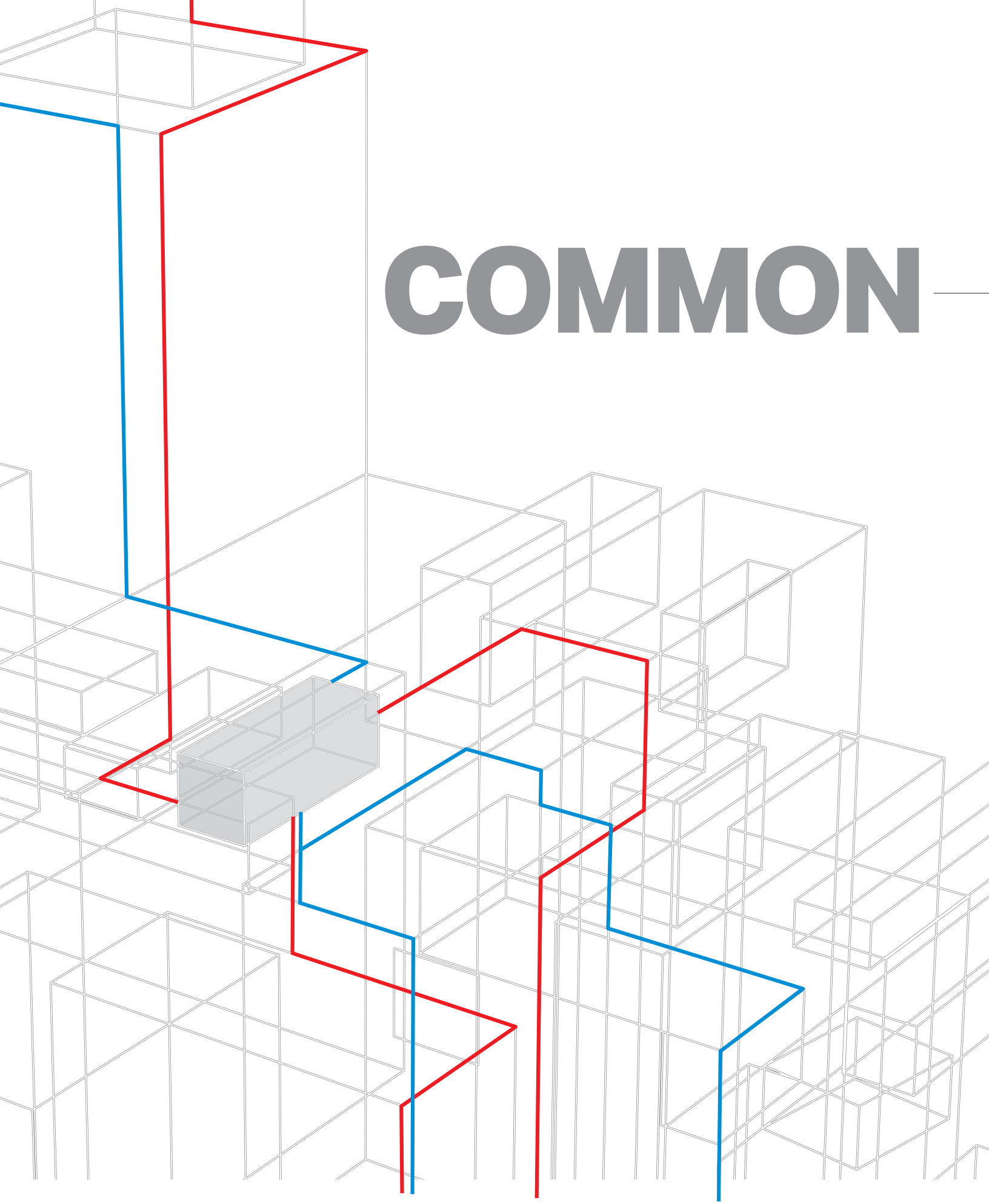
And so the road seems to lead back where we have been before: There is the potential for significant losses by investors and hurt for lenders and other securitization participants.

We know how it ended last time, and there are lessons to be learned from the litigation that ensued following the subprime mortgage crisis. The recent wave of RMBS litigation has exposed vulnerabilities in origination and the securitization process, from underwriting policies to pool selection, and from representations and warranties to deal structure.

As we move forward through this cycle, the winners will be those who look in the rearview mirror to learn from the past and tackle problems larger than they may appear.

*Joe Cioffi is chair of the insolvency, creditors' rights and financial products practice group at Davis & Gilbert LLP.*

# COMMON



# PLATFORM

## Fannie and Freddie are making big changes in the way they securitize and transfer risk

**By Jacob Passy**

THE COMMON SECURITIZATION Platform, new infrastructure that will eventually allow Fannie Mae and Freddie Mac to issue a single mortgage-backed security, has been nearly a decade in the making.

It's designed to improve liquidity for both government-sponsored enterprises by aligning different procedures. This should also address discrepancies between prices for securities issued by Fannie and Freddie when they trade in the secondary market.

Freddie Mac has already begun the process of moving onto the platform, which was developed by Common Securitization Solutions, a private joint venture between the two mortgage giants. The Federal Housing Finance Agency, Fannie and Freddie's conservator, is expected to release a timeline sometime this year for Fannie Mae to do the same.

For lenders, a combined platform and security could indirectly improve the prices their loans fetch on the secondary market. That's because if all goes according to plan, the modernized platform and single security would attract more investors to the MBS market. The CSP has also been proposed as the potential foundation for rebooting private-label securitizations, which have been moribund since the financial crisis nearly a decade ago.

It remains to be seen, however, whether investors will take to the new security and how policy changes could influence the project. Here's a rundown of the big issues facing the common securitization platform.

### What's Taking So Long?

Freddie began using the CSP in late November for data acceptance, issuance support and bond administration activities, representing the first stage, or Release 1, of the platform. This involved moving Freddie's existing single-class securities onto the platform — the transition did not involve resecuritizations

or real estate mortgage investment conduits.

"Our existing securities and our participation certificates are being issued on the platform," said Steve Clinton, senior vice president of Freddie's strategic initiatives division. "So far we've not experienced any significant problems with the launch. We're only a month in and things are going well."

FHFA Director Mel Watt called the implementation "a significant milestone."

Release 2 will involve the transition to the single security and Fannie's move onto the CSP. Accomplishing this won't be easy, Clinton said.

"The next phase is challenging because you're going to more complex securities and more parties," Clinton said. "Getting the joint venture, Fannie and Freddie all aligned is a challenge.

According to the FHFA's annual "scorecard," the GSEs were supposed to have released timelines for the rest of the CSP implementation by the end of 2016. That did not happen, in part because regulators asked Fannie and Freddie to postpone releasing a timeline until the first quarter of 2017, said Renee Schultz, Fannie Mae's senior vice president of capital markets.

"Industry participants, once they know a date, are going to make investments in their own platforms, and as soon as they start to do that work, it costs them," Schultz said. "You don't want to put a date out there and then find it slipping."

The technology that will "commingle securities and structure transactions" when the GSEs begin to issue the single security "isn't ready yet," Schultz said. In the meantime, she said, Fannie is monitoring Freddie's testing of the platform to gain insight as it makes preparations for its own transition.

Some observers remain circumspect about the likelihood of any major development with the CSP in the year ahead.

"Nothing is going to happen with the CSP in 2017," said Laurie Goodman, co-director of the Housing Finance Policy Center at the Urban Institute.

Goodman acknowledged that Freddie's move to the platform occurred "pretty much on schedule," but she questioned the importance of that milestone.

**Still unclear is whether investors, including the Federal Reserve, will exchange Freddie PCs.**

She noted that "there is somewhat more incentive" for Freddie to move forward than there is for Fannie, since pricing would improve only for the former's securities.

While there's no timeline yet, the 2018 goal remains, said Michael Fratantoni, the Mortgage Bankers Association's chief economist and senior vice president of research and industry technology. "They're still confident of 2018 as a launch date," said Fratantoni, who is part of an industry advisory group for the CSP implementation.

.

### How Will Investors Respond?

Market participants may not need to be so concerned about investor receptiveness to the CSP, if Ginnie Mae's experience is any indication.

Since 1983, Ginnie Mae has issued the Ginnie Mae II securities, which can have single- or multiple-issuer pools unlike their Ginnie Mae I MBS counterparts. As a result, the underlying loans for Ginnie Mae II MBS can come from different sources, including the Federal Housing Administration, the Department of Veterans Affairs and the Department of Agriculture.

"The market has already demonstrated an appetite for that approach," said Ed DeMarco, a senior fellow at the Milken Institute and the former acting director of the FHFA.

And in recent years, the Ginnie Mae II security has become increasingly more popular than the Ginnie Mae I security, according to Fratantoni, making up as much as 95% of Ginnie's issuance. "I give credit to the folks at Ginnie Mae," Fratantoni said. "They were giving the market assurance and incentive, and the market moved there."

Given the similarities to the Ginnie Mae II security on the multiple-issuer front, it's not too far a leap in logic to assume that the appetite for the single security from Fannie and Freddie will be similar.

Still, it's unclear whether investors holding onto Freddie Mac participation certificates, or PCs, will be willing to exchange them for the newer securities or let them run their course instead. Among these investors, of course, is the Federal Reserve.

The Fed has been "very circumspect about their plans to exchange out of Freddie Mac securities or to be more or less active in the market," Fratantoni said. "By the middle of next year, they may be making changes in their MBS. If and how they would change their activity in the market is one big question.

Another major investor class that

could react unfavorably to the new security is foreign investors.

"Are they going to view this as a potentially more disruptive period?" Fratantoni said. "Are they going to back away?"

Fannie and Freddie have been reaching out to industry participants to gauge sentiment and to educate them about how the CSP and the single security will function. The results, they said, have thus far been positive.

"We've seen a steady rise in the focus being put on this issue by dealers and investors," Clinton said. "I think we're on a good path. Awareness is up and focus is up.

### What's Trump's Agenda?

President-elect Donald Trump's pick for Treasury secretary, Steven Mnuchin, has made calls to privatize Fannie and Freddie. The platform could make such a move more feasible because that exact outcome was considered when the plan for the CSP was being created.

"We knew at some point Fannie and Freddie as GSEs were going to be shut down," DeMarco said. "To do that, the market had to have an infrastructure to make sure that the transition was seamless."

While Fannie and Freddie, as they currently exist, may not be around forever, the CSP should have a longer shelf life. In such an event, the CSP could become a sort of financial utility that allows for the creation of mortgage-backed securities, according to Cliff Rossi, professor of the practice and executive-in-residence at the University of Maryland's Robert H. Smith School of Business.

"That does play into this notion that market stability is achieved by virtue of having the profits in place to manufacture these securities on an ongoing

## RIGHT KIND OF RISK-BASED CAPITAL?

The debt securities that Fannie and Freddie issue to share mortgage risk with private investors have been a big hit with investors. The two primary programs, Connecticut Avenue Securities (Fannie) and Structured Agency Credit Risk (Freddie), function like catastrophe bonds. The principal is available to the issuer in the event that losses on a reference pool of single-family mortgages reach a predetermined level.

This kind of reinsurance is one of the few means available to either GSE to raise capital while they are in conservatorship. Yet many contend that CAS and STACR are not the right kind of capital. There are two primary arguments. The first is that it could prove tough to raise this capital at precisely the point in the housing market cycle when it's most needed. Investors would be too skittish. The GSEs certainly got a taste of this during a bout of broader capital market volatility early in 2016. They both shifted their emphasis, temporarily, to other kinds of risk sharing where the counterparties are insurers, not capital markets investors.

The second argument is that CAS and STACR don't transfer enough risk, and that if they did, there might not be enough ready buyers. This argument is more complicated. Critics note that, in the first nine months of 2016, Fannie and Freddie sold securities tied to $1.2 trillion in mortgages, but with only $35 million of risk transferred. That's partly because CAS and STACR, as currently structured, are only designed to transfer the first 5% or so of losses.

What's more, the risk may not be transferred for that long. CAS and STACR have 10-year tenors, but the mezzanine tranches that transfer early losses receive their proportional share of principal repayment when mortgages in the reference pool are refinanced. "If interest rates fall and the rate of voluntary prepayments is high … the outstanding balance at time of correction will be relatively low," said Zach Cooper, deputy chief investment officer at Semper Capital.

This is part of the appeal, Cooper said. "As an investor in the M [mezzanine] class, every year that goes by with high prepayments, my total return looks better and better."

How much more risk could they transfer to the capital markets, and at what price? Certainly more than the GSEs are currently selling. The investor base for even the riskiest tranches of these deals continues to grow. In January, the National Association of Insurance Commissioners released designations for iterations of CAS and STACR that transfer actual losses, as opposed to those transferring estimated losses

"They seem to be experimenting with what works best for them and the market," Cooper said. "But the byproduct of such small issuance is that a relatively small change in performance assumptions can really move spreads. Two billion dollars outstanding is a tiny product. We expect the GSEs to continue to experiment with this and use if to offload risk on a larger and larger percentage of their book as they get more comfortable with product, and that will damp spread volatility." —AB

basis," he said. "A common security makes a lot of sense regardless of your politics."

Of course, for all of this to transpire, regulatory upheaval would need to occur in the first place. The incoming Trump administration "doesn't have a proposal; if he had a proposal it would be different," Goodman said. "It's going to take years and years to recapitalize them if or when the decision is made to do so.".

### Should Lenders Worry?

There are persistent concerns that the CSP and the single security could cause disruption to the mortgage market, and the GSEs are taking this seriously. It is one of the main reasons why Fannie is moving onto the platform separately and after Freddie.

"We want to be mindful of the TBA market," Schultz said, referring to "to be announced" trading, in which the securities to be delivered are not designated at the time of the trade. "And as a larger issue, we want to make sure there isn't a disruption to the market."

Another concern for some smaller lenders: Who controls the platform?

In 2015, Sen. Richard Shelby, R-Ala., introduced a bill that would shift ownership to a fully private entity as part of broader changes to financial regulation, though the legislation never went to a full Senate vote. Similar language also made it into the Senate version of a Treasury appropriations bill but was taken out in the final version.

Now with Republican control of Congress and the White House, such a proposal could become more feasible. Similarly, if the GSEs were to be privatized, it is not clear how control of the platform would be regulated.

"The fact that it was considered in a comprehensive bill that passed the Senate Banking Committee is a source of concern," said Scott Olson, executive director of the Community Home Lenders Association. "Given that it had moved forward before, it will continue to be a source of concern that it could happen."

While his trade group supports the broader effort to implement the CSP, it is opposed to the platform moving into private hands for fear that it could make it harder for smaller lenders to compete, Olson said.

**Opening the CSP to private-label issuers, while theoretically feasible, is not an easy undertaking.**

### Is It Really that Important?

While it's the CSP that gets the most discussion when talking about this issue — largely due to the time it's taken to get the thing up and running — more attention should be paid to the single security, Goodman said.

"It's not a huge policy issue," she said of the platform. "It's a piece of software." The CSP, she said, is merely a replacement to the deteriorating platforms used by Fannie and Freddie. "They needed to put in new infrastructure—it made sense to do it as one effort and not two efforts," she said.

To others, the CSP is still not the ideal conduit for government-guaranteed MBS. DeMarco points to Ginnie Mae's platform, in particular, as an alternative to the CSP. Earlier this year, he released a paper arguing that using the Ginnie Mae platform would make the transfer to a new system for GSE MBS smoother than using a completely new platform.

"We think that Congress should direct Ginnie Mae and FHFA to do a detailed due diligence review of the CSP to determine how it optimally fits into that framework," DeMarco said.

But where the CSP could make more of a difference to the secondary market is not in how it handles MBS issued by Fannie and Freddie, but in how it could become a platform for private securitization as well.

The FHFA has supported plans for the CSP's open architecture to support private-label securitization. But some worry that goal has been lost in the mix. In May 2015, a bipartisan group of senators wrote to Watt to bring up concerns about the CSP's development, including steps that were "setting up for the CSP to act as an appendage of the GSEs, rather than a truly unbiased and open market utility available for multiple issuers."

Opening up the CSP to the private-label side of the market, while theoretically feasible, is not an easy undertaking. "That's a different set of data and considerations that's required than for the agency MBS market," Fratantoni said. "It could be possible, but it would be more difficult than adding another guarantor as what Fannie and Freddie are doing."

That said, its applications for the private-label market could allow the CSP to retain significance if intervening policy changes come about.
"There are multiple ways that what's going on at the CSP could still have value," DeMarco said.

# Warehouse Lenders Get a Break

Ginnie Mae has been making changes to dispel concerns about legal agreements that some feared could jeopardize financing for mortgage servicing rights.

**By Bonnie Sinnock**

Some Ginnie Mae issuers and warehouse lenders have been gun-shy about entering financing arrangements for mortgage servicing rights because of concerns about the legal agreements Ginnie requires them to sign in the event that issuers become trouble.

But Ginnie has been making some changes to try to dispel those fears. The government mortgage-backed securities guarantor recently finalized a clarification of the so-called acknowledgment agreements in response to feedback from issuers, warehouse lenders who provide MSR financing and their attorneys.

"They just felt like we had this incredible power, that we could really take servicing away from [warehouse lenders] without really giving them the opportunity to really just step in and take over the responsibilities for the issuer," Ginnie Mae President Ted Tozer said. "We really tried to indicate to them that all we really care about is the fact that when an issuer gets into financial trouble, we need to make sure somebody's going to be willing to make that next monthly bond payment."

The clarification, which acknowledges Ginnie's position and rights in MSR financings, was more about offering reassurances than making a major policy shift, Tozer said.

"A lot of it was misunderstandings," he said. "Our intent was not as clear as it could have been in the document."

The revised 22-page agreement tries to make it clear that "our deal is not about taking over the servicing [or] trying to do anything to disrupt the market," Tozer said. "Our whole issue is, at the end of the day, we need to know what their plans are."

It would be "fine" if warehouse lenders plan to keep the servicing and try to sell it, Tozer said. "We just need to know, in the interim, if they sell it, who is going to be making those payments to the bondholders."

Ginnie's preliminary impression was that the mortgage industry representatives it worked with were "pleased with a few ways in which we've been able to make the acknowledgment agreement clearer and eliminate liability that was duplicative or unnecessary," senior adviser Kathleen Gibbons said.

"They understand where we're going, understand that we were trying to make the agreement as user-friendly as possible within the constraints of our charter and our systems and operational considerations," she said.

The Mortgage Bankers Association confirmed that it has discussed the topic with Ginnie Mae and is reviewing the new draft. "We appreciate Ginnie Mae's engagement, and we have been working with Ginnie for the better part of two years to secure improvements to the acknowledgment agreement in order to facilitate increased availability of financing for MSRs," Pete Mills, senior vice president of residential policy and member engagement, wrote in an email.

TED TOZER

Ginnie has hoped that increased interest in using its MSRs to secure financings could help address recent liquidity concerns in the market for its servicing. Servicing traders also have hoped that the recent uptick in rates could improve MSRs' attractiveness.

Tozer does not expect the incoming administration to affect his agency as much as others that are arms of the Department of Housing and Urban Development.

"We're looked at as being kind of apolitical. Our job is more of a public utility just to move the loans through the process to get funded in the capital markets," he said. "We could be impacted depending on what they do with FHA and VA, which are more policy arms, but as far as our acknowledgment agreements and how we deal with our issuers, I just can't see any of that really changing."

# In Support of Retaining Risk

While the 5% mandated by the new rule may be "overkill," John Thacker of Crestline Denali Capital sees merit in aligning the firm's interests with those its clients.

**By Glen Fest**

The CLO industry has spent the last few years lobbying to reduce the impact of financial regulation enacted since the financial crisis. So President-Elect Donald Trump's vow to reevaluate the regulatory landscape is certainly welcome.

Managers of collateralized loan obligations have long argued the requirement to keep 5% of the economic risk in their deals is particularly onerous. Most acquire their collateral in the secondary loan market, and have little balance sheet of their own.

John Thacker, a senior managing director and chief credit officer for Crestline Denali Capital, sees some merit in the so-called risk retention rule, however.

While requiring managers to hold 5% may be "overkill," Thacker is supportive of the concept of shared investor risk. The co-founder of the former Denali Capital prior to its merger with Crestline Investors has been an advocate of risk-retention since before the financial crisis. Denali has always kept sizeable share of the equity, or the riskiest tranche, in its own deals.

It was the need for additional capital to comply with risk retention that drove Crestline-Denali marriage in 2014. Since then, the combined firm has issued three deals totaling $1.1 billion.

"We do want to show our investors that we are side by side with them, and they can rely on us to act in a reasonable manner based on that," the

manager said in interview with ASR late in 2016. Thacker also sees a practical side to focusing on risk retention: despite the changing environment in D.C., it's not likely to be relaxed anytime soon. "One of the first subjects the new proposed Treasury Secretary [Steven Mnuchin] is talking about is reform of Dodd Frank – but he's using the word 'reform' or an equivalent word – he's not talking about repeal," he said.

**ASR: Early expectations are the CLO market will take a breather after the rush of refis and reset deals late in 2016; how does early 2017 shape up?**

January is traditionally a slow month in CLO executions, but beyond then we would expect new CLO formation to be suppressed by the effectiveness of the risk retention rules so long as they remain in force.

**What are Crestline's issuance plans?**

We expect our 2017 CLO issuance activity to be at the same pace as our recent deals, roughly two CLOs per year.

**How have you structured deals to comply with risk retention?**

We formed our new partnership with Crestline Investors in October 2014 in large part motivated by the forthcoming risk retention regs. The new partnership is structured to allow us to invest and retain within the partnership a majority of the equity in our CLOs to meet the 5% retention rule. With this solid foundational approach in place, we are now also in a position to consider alternative structures – vertical strips, CMV, MOA – as investor inquiries warrant.

As a concept we've always been a proponent. Every CLO that we did, even in the "1.0" era, we as the manager invested in the equity. It was usually in the range of 5-10% of the equity tranche, not the total asset value of the deal. We do want to show our investors that we are side by side with them.

**How will the market will react to the incoming Trump administration?**

If general expectations come to fruition (i.e., generally expansionary fiscal policies and gradually tightening monetary policies), we would expect to see ongoing growth in overall leveraged loans outstanding, with rising yields, but

perhaps default rates reverting to the historical mean as rising debt service costs put pressure on cash flows.

**Do you expect regulatory issues to significantly impact the leveraged loan or the CLO industry?**
At the level of interpretation and enforcement, that's where a new administration could immediately perhaps issue some enforcement or interpretive statements that, for example, would give relief under the Volcker rule or the risk retention rule, perhaps around this concept of a qualified CLO. But I don't think any of that is likely to happen in the very near term.

On risk retention, even a repeal of the U.S. reg would still leave the E.U. rule in place for a CLO sponsor that wants to avail itself to European investors.

**How is risk shaping your decisions on portfolio construction?**
For us, it's been pretty much steady as she goes. We don't have and never have had any meaningful amount of oil and gas or coal mining, metal/mining or other commodities credits in our funds. It just doesn't match up with our style which looks for stable cash flows to take on the leverage that's implied in a leveraged loan and commodities-based businesses never match up well with that because they're cash flows by definition are erratic.

**Are there other industries to emphasize or de-emphasize?**
Ours has always been an issuer-oriented, fundamental approach to investing and portfolio construction, with a high degree of both issuer and sector diversity.

**There's been an inflow of foreign capital; what's the appeal for European and Asian investors?**
Fundamentally, CLOs have always been an efficient vehicle for global investors to gain access and exposure to the U.S. corporate senior debt asset class and its attractive elements of seniority, security and floating rates. A relative strengthening in the U.S. dollar versus other currencies should accentuate the attractiveness of the CLO and leveraged loan asset classes.

on borrowers' debt service ratios and down the road, ultimately would lead to higher default rates. But in the near to medium term, our view is it's not likely to do anything more than rise to sort of historical mean.

Zero percent default rates for persistent periods is unnatural in the leveraged loan markets, and if anything, we hope much of the market conditions revert to norm rather than these more artificial conditions that have prevailed.

## "We want to show our investors that ... they can rely on us to act in a reasonable manner."

**How high are corporate defaults headed this year?**
The loan market has had almost a default holiday for the last four or five years. There have been a few notable events that were really echoes of the pre-crisis era deals – TXU, Caesars – but it's really been a really low default rate environment and that's buoyed by the near-zero interest rates that have prevailed over the last four or five years.

Now that we're likely heading into an increasing interest rate environment, borrowers are actually going to clear that prevailing 1% Libor floor and will actually start to experience actually increased borrowing costs.

**And how would that impact underlying credit quality?**
As long as that's gradual and at a moderate pace, both borrowers and the U.S. economy more generally will be able to absorb it. If for whatever reasons the Fed feels it has to move more dramatically and more upwardly, you're going to see more constraints put

**Moody's expects CLO managers to seek more flexibility in running their portfolios.**
For a long while in the CLO 2.0 era, deals have had strict four-year reinvestment periods. Now we're starting to see that stretch to 4.25, 4.5 investmetn periods, and now five-year investment peroids. It gives the manager a longer period of time not just to manage the portfolio, but absorb some of the upfront costs of putting a CLO in place. That makes the product more attractive to equity investors.

With CLOs, the devil is in the details when you get around to things like weighted average life tests, recovery rate tests and all of the other collateral quality matrices that are embedded within the CLO document. There is a little bit more flexibility in what are commonly referred to as "stips" [stipulations] that can come back into the market and that can benefit managers and their flexibility and ultimately the CLO equity investors' return performance as well.

# Undeterred, LSTA to Appeal

The trade group's lawsuit challenging the application of risk retention to CLOs now goes back to the appeals court that remanded it to the D.C. District Court for a hearing.

**By Glen Fest**

The Loan Syndications and Trading Association will appeal a Dec. 22 federal circuit court ruling that shot down the trade group's 2016 lawsuit against U.S. financial regulators challenging new risk-retention standards for collateralized loan obligations.

The trade group had been mulling its actions since the Federal Court of Appeals in the D.C. Circuit issued its ruling, which the LSTA stated "disappoints" an industry worried that the rules will curtail CLO issuance and hamper financing to speculative-grade companies that depend on syndications of their high-risk loans to securitization investors.

The organization filed its notice of appeal on Jan. 5.

The LSTA and other structured-finance groups were suing the Securities and Exchange Commission and the Federal Reserve, which established the rules' application to CLOs in December 2014 and set a Christmas Eve 2016 start date for enforcement.

The risk-retention rules, as directed by the Dodd-Frank Act for securitizations in mortgages, loans and other asset classes, are designed to align manager and investors' interest by requiring "skin in the game" for sponsors and originators of loans.

Opponents of the rule have argued the standards were misapplied to the asset class since CLO managers, asserting that the managers serve only as money managers and arrangers – not originators – and do not fit the "securitizer" standard set forth in Dodd-Frank.

But in its 48-page decision, the district court cited the agencies' contention that "special purpose vehicles and investors in the open market CLO structures do not choose or monitor assets in the CLO itself," the ruling stated. "[I]t makes less sense for them to retain risk instead of managers that do select and monitor the assets."

> **"[I]nvestors in the open market CLO structures do not choose or monitor the assets in the CLO."**

The agencies had determined that CLOs and their managers were covered by the risk-retention standard since they are the agent in charge of investment and performance-monitoring decisions on the portfolios.

The appeals court is the same court that last spring under chief judge and Supreme Court nominee Merrick Garland had remanded the case to the D.C. district court for a hearing, following the LSTA's long-shot ploy to first argue the case at the appeals court level in hopes of obtaining an immediate stoppage to the new rules.

Opponents of the rule like the LSTA were (and are) seeking changes to better accommodate CLOs, including limiting the stake to the equity tranche or providing a "qualified CLO" exemption similar to quality mortgages that home-loan lenders can exclude from the retention standard for securitizations. They have also sought Congressional assistance to designate a "qualified" CLO standard that could exempt certain deals from the retention rule. That House bill became mired in committee.

"The LSTA strongly believes that the District Court's December 22nd ruling was incorrect and that the agencies inappropriately applied the risk retention rules to managers of CLOs," the association stated in a release. "CLOs performed extraordinarily well before, during and after the financial crisis; they are not the product that the Dodd-Frank Act intended to fix."

The trade group expressed confidence it can have the case reinstated. "Critically, unlike appeals involving a judge's or jury's fact-finding in criminal or civil litigation, an appeal of a District Court's administrative law decision involves no deference to the lower court or presumption that the court was correct. Therefore, we look forward to a thorough and direct analysis of the agencies' rule."

# Student Debt: Not Just the Young

Increasingly, the burden of paying for higher education is falling on older Americans, many of whom are past their peak earning years and stretched thin.

**By Kevin Wack**

The face of U.S. student loan debt is usually an underemployed twentysomething. But increasingly, the burden of paying for higher education is falling on older Americans.

In a new report, the Consumer Financial Protection Bureau details some troubling findings regarding the rising student debt owed by people in the later stages of life.

Perhaps most worrying is that these older borrowers are having much more difficulty making their payments than younger borrowers are. The report finds that 37% of federal student loan borrowers who are 65 or older are in default, compared with 17% of borrowers under the age of 50.

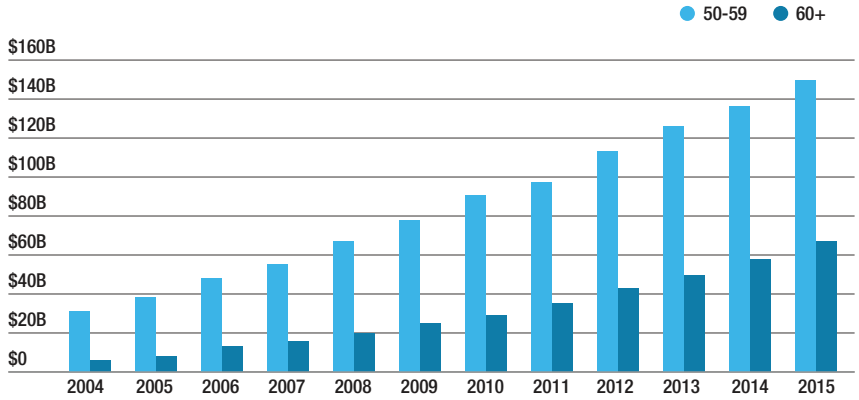
What's more, the proportion of delinquent student loan debt that is held by borrowers ages 60 and above rose from 7.4% in 2005 to 12.5% in 2012. Americans ages 60 and older owe roughly 5.4% of all student loan debt, up from just 1.8% about a decade earlier.

"Older student loan borrowers are often ignored," lamented Persis Yu, director of the student loan borrower assistance project at the National Consumer Law Center.

The CFPB report, which compiles the findings of other researchers, carries important implications for both the federal student loan program and for banks that make private student loans. Both face the risk of rising defaults as older Americans stretch thinner to pay for higher education.

## Still Paying

Older Americans, many of whom have fixed or declining incomes, have been taking on more and more student debt, often to pay for their kids' or grandkids' education




Source: Federal Reserve Bank of NY Consumer Credit Panel/Equifax

As college tuitions have climbed, parents and grandparents of students have been shouldering a larger share of the cost. Often they borrow through a federal program called Parent Plus. The program allows parents to borrow in amounts up to the full cost of tuition, without regard for their ability to repay the loan.

That recipe can be problematic, especially when the borrowers are past their peak earning years.

"You can get a Parent Plus loan if you're poor. You can get a Parent Plus loan if you're poor and in your 60s," said Jason Delisle, a resident fellow at the American Enterprise Institute, a right-leaning think tank.

The CFPB expressed concern that student debt is preventing some older Americans from paying for basic needs in their lives. The agency cited survey data from 2014, which found that 39% of consumers ages 60 and older with a student loan said that they skipped necessary health care needs, compared with 25% of older consumers who do not have student debt.

But Delisle is skeptical of the conclusion that the high delinquency rates mean graying borrowers are all in dire financial straits. He said that some older consumers — including many who already own a house, and are not terribly concerned about hurting their credit scores — may be making a rational decision not to make payments on student loans.

# New Entrants in Auto Lending

Community banks are taking advantage of an opportunity created by strong borrower demand and a pullback by some larger banks as the result of regulatory scrutiny.

**By Allison Prang**

Community banks are slowly booking more auto loans, adding to competition in this overheated market.

Auto loans at banks with $10 billion or less in assets rose by nearly 2% in the third quarter compared to a year earlier, to $47.8 billion, based on data compiled by Sageworks. The 25 biggest auto lenders in that group did even better, building auto books by about 7%.

Banks that have revved up auto lending include HarborOne Bank in Brockton, Mass.; Berkshire Hills Bancorp in Pittsfield, Mass.; United Bankshares in Charleston, W.Va.; and First Interstate BancSystem in Billings, Mont.

For some banks the moves are a matter of being opportunistic with high demand. At the same time, some bigger banks such as Fifth Third Bancorp and Citizens Financial Group have said they will scale back after regulators issued a warning about the quality of auto loans.

"If the volume goes up, and we're getting the asset at the price that we want it ... we'll book it," said Kevin Riley, president and CEO of the $8.9-billion asset First Interstate, where auto loans rose 21% in the third quarter.

In terms of credit quality, Riley said most risk is contingent on the types of borrowers targeted and how banks value used cars that serve as collateral. First Interstate only focuses on prime loans for new and used cars. "We're not doing anything to just put on volume for the sake of volume," Riley said.

United, which had a 31% spike in auto loans compared to a year earlier, is tapping into demand in its northern Virginia markets, including new markets within its footprint, said Chad Mildren, the $6 billion-asset company's chief consumer banking officer.

United, which also focuses on prime borrowers, is accustomed to 15% to 20% annual growth in its auto portfolio, Mildren said.

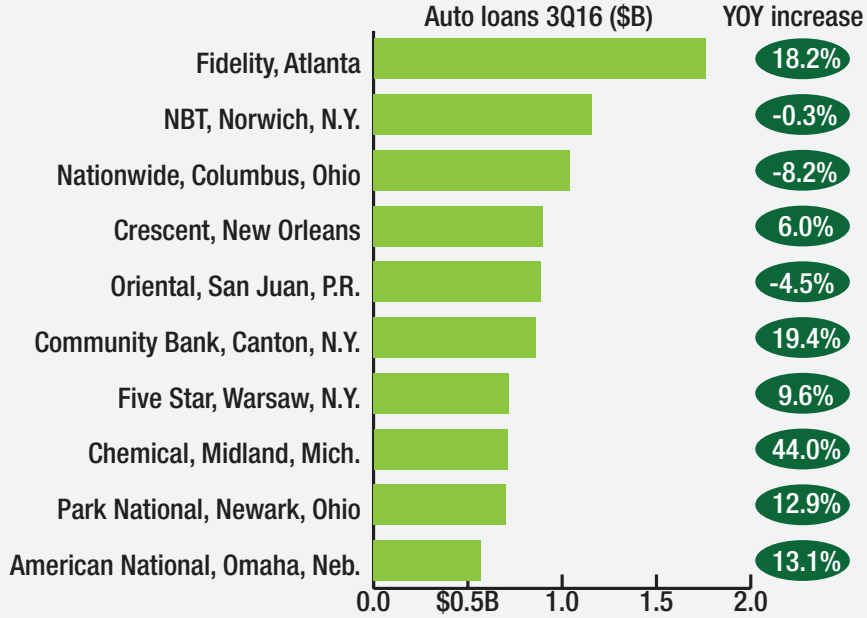
It is always worth watching banks where a "lending category shows that type of growth," said Matthew Schultheis, an analyst at Boenning & Scattergood.

Schultheis said, however, that he doesn't get concerned when he sees spikes at banks such as United, which has a history of conservative underwriting and running a "tight credit ship."

Industry consolidation and a pullback by other lenders helped Five Star Bank, the $3.7 billion-asset bank unit of Financial Institutions Inc. in Warsaw, N.Y., boost the size of its auto portfolio by nearly 10%.

## Shifting Positions

The most-active auto lenders among community banks seem to either be revving up lending or tapping the brakes. Here's a look at the biggest auto lenders at banks with $10 billion or less in assets*




*excludes BMW Bank of North America

Source: Sageworks

# European CLOs Resetting Rates

Unlike in the U.S., where deals have been driven by regulatory changes, managers in Europe are taking advantage of a dramatic narrowing in yield spreads that lower issuance costs.

**By Allison Bisbey**

Even European CLO managers are getting in on the reset game.

On Dec. 14, the European arm of Pinebridge Investments refinanced the Euro-Galaxy III CLO, a collateralized loan obligation originally issued in 2013, to reprice the entire transaction, according to Standard & Poor's.

It followed in the footsteps of Apollo and KKR, which also reset CLOs the same month.

Unlike the U.S., where there has been a wave of resets as managers sought to extend the life of deals before risk retention rules took effect on Dec. 24, European managers are taking advantage of a dramatic narrowing of spreads that lower the cost of issuance. Demand from yield-hungry investors from the U.S. and Asia have driven spreads inside 100 basis points over Euribor.

By resetting the rates on existing deals, managers avoid the trouble and expense of issuing new deals at a time when collateral is scarce.

In the case of Euro Galaxy III, however, Pinebridge was able to raise additional funds, according to S&P. Proceeds will be used to redeem the existing rated notes, purchase additional collateral up to the increased target par of €370 million (from €327.75 million originally), and to pay any fees associated with the reset.

The rating agency assigned an AAA rating to a senior tranche of variable funding notes and a senior tranche of term notes, both of which pay 102 basis points over Euribor.

J.P. Morgan Securities is the arranger.

## On a currency-adjusted basis, Euro and U.S. CLO triple-As are roughly at parity for yen investors.

The transaction, which was expected to close in mid-January, will be non-callable for two years from closing. The manager will be able to actively manage the portfolio for four years, until January 2021.

PineBridge Investments Europe is the collateral manager and Credit Industriel et Commercial is the junior collateral manager.

Spreads on U.S. CLOs have also tightened as the result of strong demand from Europe and Japan, where central bank interest rates are in negative territory. But the tightening in Europe CLOs has been much more pronounced. Discount margins on the triple-A tranches of U.S. deals averaged 146 basis points in December, compared with 97 basis points for the comparable tranches of European deals, according to Thomson Reuters LPC.

When adjusted for exchange rates, however, Euro and U.S. CLO triple-A spreads are roughly at parity for a yen investor—despite Euro triple-A spreads trading 40 basis points tight to U.S.CLO triple-A tranches, according to Wells Fargo Securities.

"For much of 2016, Euro CLO triple-A tranches were much more attractive than U.S. triple-A tranches on a currency-adjusted basis for yen investors—but the gap is now roughly zero," David Preston, senior analyst at the firm, wrote in a Jan. 6 report.

Preston said this suggests that spreads on U.S. CLOs are unlikely to tighten much more, since this would make them relatively less attractive to Japanese investors than European CLOs.

After a two-year "non-call" period, CLOs can reprice or refinance selected classes of securities; typically this call is made by holders of the most subordinate tranches of deals, known as the "equity" holders.

Repricing is all the more attractive because loans used as collateral for new deals are scarce. All told, European CLO refinancing volume, including the three resets, was €3.9 billion in 29016 via 12 deals, with all of this occurring since late September, per Thomson Reuters.

# 2016 LEAGUE TABLES

## ABS MANAGERS

### Public & 144A

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| JP Morgan | 23,957.7 | 1 | 11.6 | 92 | 29,118.8 | 2 | 11.6 | 98 |
| Citi | 20,861.1 | 2 | 10.1 | 82 | 32,501.6 | 1 | 12.9 | 105 |
| Barclays | 19,020.4 | 3 | 9.2 | 86 | 20,273.3 | 5 | 8.1 | 80 |
| Wells Fargo & Co | 17,851.7 | 4 | 8.6 | 72 | 19,069.5 | 6 | 7.6 | 68 |
| Bank of America Merrill Lynch | 15,522.0 | 5 | 7.5 | 55 | 20,652.3 | 4 | 8.2 | 72 |
| Credit Suisse | 14,791.5 | 6 | 7.2 | 67 | 22,242.5 | 3 | 8.8 | 92 |
| RBC Capital Markets | 13,689.7 | 7 | 6.6 | 48 | 13,651.5 | 9 | 5.4 | 50 |
| Deutsche Bank | 13,635.3 | 8 | 6.6 | 72 | 16,192.3 | 7 | 6.4 | 67 |
| Goldman Sachs & Co | 7,758.0 | 9 | 3.8 | 38 | 10,205.0 | 10 | 4.1 | 42 |
| Mizuho Financial Group | 6,894.4 | 10 | 3.3 | 23 | 4,649.4 | 16 | 1.9 | 18 |
| Morgan Stanley | 6,543.2 | 11 | 3.2 | 37 | 15,576.5 | 8 | 6.2 | 52 |
| Societe Generale | 6,180.7 | 12 | 3.0 | 21 | 5,089.1 | 14 | 2.0 | 18 |
| Mitsubishi UFJ Financial Group | 5,775.1 | 13 | 2.8 | 19 | 5,958.8 | 12 | 2.4 | 20 |
| BNP Paribas SA | 4,628.7 | 14 | 2.2 | 15 | 4,802.2 | 15 | 1.9 | 16 |
| Credit Agricole CIB | 3,108.1 | 15 | 1.5 | 13 | 4,118.6 | 17 | 1.6 | 18 |
| Lloyds Bank | 2,637.5 | 16 | 1.3 | 8 | 798.1 | 25 | .3 | 4 |
| Guggenheim Securities LLC | 2,598.5 | 17 | 1.3 | 12 | 6,707.1 | 11 | 2.7 | 9 |
| HSBC Holdings PLC | 2,576.1 | 18 | 1.3 | 10 | 1,626.6 | 20 | .7 | 6 |
| Nomura | 2,053.0 | 19 | 1.0 | 5 | 842.9 | 24 | .3 | 4 |
| Sumitomo Mitsui Finl Grp Inc | 1,779.3 | 20 | .9 | 8 | 1,095.8 | 22 | .4 | 3 |
| **Industry Total** | **206,713.7** | **-** | **-** | **407** | **251,945.5** | **-** | **-** | **508** |

## ABS ISSUERS

### Public & 144A Market

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Ford Motor Co | 10,354.6 | 1 | 5.0 | 11 | 10,784.1 | 1 | 4.3 | 13 |
| General Motors Co | 8,874.8 | 2 | 4.3 | 8 | 7,853.7 | 3 | 3.1 | 8 |
| Nissan Motor Co Ltd | 7,539.7 | 3 | 3.7 | 6 | 6,453.3 | 4 | 2.6 | 6 |
| Capital One Financial Corp | 6,274.4 | 4 | 3.0 | 6 | 5,074.4 | 9 | 2.0 | 6 |
| Banco Santander SA | 5,829.7 | 5 | 2.8 | 7 | 6,118.6 | 5 | 2.4 | 6 |
| Navient Corp | 5,265.3 | 6 | 2.6 | 7 | 4,485.5 | 11 | 1.8 | 6 |
| Honda Motor Co Ltd | 5,139.7 | 7 | 2.5 | 4 | 3,989.8 | 13 | 1.6 | 4 |
| Hyundai Motor Co Ltd | 5,003.4 | 8 | 2.4 | 6 | 5,122.4 | 8 | 2.0 | 5 |
| Wells Fargo & Co | 4,864.5 | 9 | 2.4 | 4 | 3,079.6 | 14 | 1.2 | 4 |
| Ally Financial Inc | 4,822.3 | 10 | 2.3 | 6 | 8,711.2 | 2 | 3.5 | 15 |
| Daimler AG | 4,582.8 | 11 | 2.2 | 5 | 5,782.5 | 7 | 2.3 | 4 |
| Fiat Chrysler Automobiles NV | 4,249.4 | 12 | 2.1 | 5 | 4,032.7 | 12 | 1.6 | 5 |
| SoFi Lending Corp | 3,986.7 | 13 | 1.9 | 10 | 1,864.2 | 35 | .7 | 5 |
| SoftBank Group Corp | 3,499.9 | 14 | 1.7 | 1 | - | - | - | - |
| Toyota Motor Corp | 3,351.7 | 15 | 1.6 | 4 | 2,902.6 | 16 | 1.2 | 3 |
| Sears DC Corp | 3,049.6 | 16 | 1.5 | 4 | 2,974.5 | 15 | 1.2 | 4 |
| GE | 3,044.6 | 17 | 1.5 | 8 | 2,686.5 | 19 | 1.1 | 5 |
| JPMorgan Chase & Co | 2,978.6 | 18 | 1.4 | 6 | 2,867.9 | 18 | 1.1 | 5 |
| BMW AG | 2,920.8 | 19 | 1.4 | 3 | 2,899.9 | 17 | 1.2 | 3 |
| World Omni Dealer Funding Inc | 2,768.8 | 20 | 1.3 | 3 | 2,402.8 | 24 | 1.0 | 3 |
| **Industry Total** | **206,713.7** | **-** | **-** | **407** | **251,945.5** | **-** | **-** | **508** |

**Source: Thomson Reuters**

# 2016 LEAGUE TABLES

## ABS MANAGERS

### Public & 144A (Self-Funded excluded)

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| JP Morgan | 23,957.7 | 1 | 11.6 | 92 | 29,118.8 | 2 | 11.6 | 98 |
| Citi | 20,861.1 | 2 | 10.1 | 82 | 32,501.6 | 1 | 12.9 | 105 |
| Barclays | 19,020.4 | 3 | 9.2 | 86 | 20,273.3 | 5 | 8.1 | 80 |
| Wells Fargo & Co | 17,851.7 | 4 | 8.6 | 72 | 19,069.5 | 6 | 7.6 | 68 |
| Bank of America Merrill Lynch | 15,522.0 | 5 | 7.5 | 55 | 20,652.3 | 4 | 8.2 | 72 |
| Credit Suisse | 14,791.5 | 6 | 7.2 | 67 | 22,242.5 | 3 | 8.8 | 92 |
| RBC Capital Markets | 13,689.7 | 7 | 6.6 | 48 | 13,651.5 | 9 | 5.4 | 50 |
| Deutsche Bank | 13,635.3 | 8 | 6.6 | 72 | 16,192.3 | 7 | 6.4 | 67 |
| Goldman Sachs & Co | 7,758.0 | 9 | 3.8 | 38 | 10,205.0 | 10 | 4.1 | 42 |
| Mizuho Financial Group | 6,894.4 | 10 | 3.3 | 23 | 4,649.4 | 16 | 1.9 | 18 |
| Morgan Stanley | 6,543.2 | 11 | 3.2 | 37 | 15,576.5 | 8 | 6.2 | 52 |
| Societe Generale | 6,180.7 | 12 | 3.0 | 21 | 5,089.1 | 14 | 2.0 | 18 |
| Mitsubishi UFJ Financial Group | 5,775.1 | 13 | 2.8 | 19 | 5,958.8 | 12 | 2.4 | 20 |
| BNP Paribas SA | 4,628.7 | 14 | 2.2 | 15 | 4,802.2 | 15 | 1.9 | 16 |
| Credit Agricole CIB | 3,108.1 | 15 | 1.5 | 13 | 4,118.6 | 17 | 1.6 | 18 |
| Lloyds Bank | 2,637.5 | 16 | 1.3 | 8 | 798.1 | 25 | .3 | 4 |
| Guggenheim Securities LLC | 2,598.5 | 17 | 1.3 | 12 | 6,707.1 | 11 | 2.7 | 9 |
| HSBC Holdings PLC | 2,576.1 | 18 | 1.3 | 10 | 1,626.6 | 20 | .7 | 6 |
| Nomura | 2,053.0 | 19 | 1.0 | 5 | 842.9 | 24 | .3 | 4 |
| Sumitomo Mitsui Finl Grp Inc | 1,779.3 | 20 | .9 | 8 | 1,095.8 | 22 | .4 | 3 |
| **Industry Total** | **206,713.7** | **-** | **-** | **407** | **251,945.5** | **-** | **-** | **508** |

## ABS ISSUERS

### Public & 144A (Self-Funded excluded)

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Ford Motor Co | 10,354.6 | 1 | 5.0 | 11 | 10,784.1 | 1 | 4.3 | 13 |
| General Motors Co | 8,874.8 | 2 | 4.3 | 8 | 7,853.7 | 3 | 3.1 | 8 |
| Nissan Motor Co Ltd | 7,539.7 | 3 | 3.7 | 6 | 6,453.3 | 4 | 2.6 | 6 |
| Capital One Financial Corp | 6,274.4 | 4 | 3.0 | 6 | 5,074.4 | 9 | 2.0 | 6 |
| Banco Santander SA | 5,829.7 | 5 | 2.8 | 7 | 6,118.6 | 5 | 2.4 | 6 |
| Navient Corp | 5,265.3 | 6 | 2.6 | 7 | 4,485.5 | 11 | 1.8 | 6 |
| Honda Motor Co Ltd | 5,139.7 | 7 | 2.5 | 4 | 3,989.8 | 13 | 1.6 | 4 |
| Hyundai Motor Co Ltd | 5,003.4 | 8 | 2.4 | 6 | 5,122.4 | 8 | 2.0 | 5 |
| Wells Fargo & Co | 4,864.5 | 9 | 2.4 | 4 | 3,079.6 | 14 | 1.2 | 4 |
| Ally Financial Inc | 4,822.3 | 10 | 2.3 | 6 | 8,711.2 | 2 | 3.5 | 15 |
| Daimler AG | 4,582.8 | 11 | 2.2 | 5 | 5,782.5 | 7 | 2.3 | 4 |
| Fiat Chrysler Automobiles NV | 4,249.4 | 12 | 2.1 | 5 | 4,032.7 | 12 | 1.6 | 5 |
| SoFi Lending Corp | 3,986.7 | 13 | 1.9 | 10 | 1,864.2 | 35 | .7 | 5 |
| SoftBank Group Corp | 3,499.9 | 14 | 1.7 | 1 | - | - | - | - |
| Toyota Motor Corp | 3,351.7 | 15 | 1.6 | 4 | 2,902.6 | 16 | 1.2 | 3 |
| Sears DC Corp | 3,049.6 | 16 | 1.5 | 4 | 2,974.5 | 15 | 1.2 | 4 |
| GE | 3,044.6 | 17 | 1.5 | 8 | 2,686.5 | 19 | 1.1 | 5 |
| JPMorgan Chase & Co | 2,978.6 | 18 | 1.4 | 6 | 2,867.9 | 18 | 1.1 | 5 |
| BMW AG | 2,920.8 | 19 | 1.4 | 3 | 2,899.9 | 17 | 1.2 | 3 |
| World Omni Dealer Funding Inc | 2,768.8 | 20 | 1.3 | 3 | 2,402.8 | 24 | 1.0 | 3 |
| **Industry Total** | **206,713.7** | **-** | **-** | **407** | **251,945.5** | **-** | **-** | **508** |

**Source: Thomson Reuters**

# 2016 LEAGUE TABLES

## ABS MANAGERS
### 144A Only

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Citi | 16,075.8 | 1 | 11.7 | 66 | 26,547.6 | 1 | 16.1 | 78 |
| JP Morgan | 14,984.2 | 2 | 10.9 | 57 | 17,724.1 | 2 | 10.8 | 59 |
| Wells Fargo & Co | 11,890.1 | 3 | 8.6 | 52 | 13,783.6 | 4 | 8.4 | 50 |
| Credit Suisse | 11,475.2 | 4 | 8.3 | 58 | 14,956.7 | 3 | 9.1 | 64 |
| Deutsche Bank | 11,430.9 | 5 | 8.3 | 63 | 12,806.0 | 6 | 7.8 | 51 |
| Barclays | 9,710.6 | 6 | 7.1 | 53 | 9,982.2 | 8 | 6.1 | 42 |
| RBC Capital Markets | 9,064.4 | 7 | 6.6 | 29 | 7,466.1 | 9 | 4.5 | 23 |
| Bank of America Merrill Lynch | 8,574.5 | 8 | 6.2 | 34 | 11,390.2 | 7 | 6.9 | 42 |
| Goldman Sachs & Co | 6,956.3 | 9 | 5.1 | 34 | 7,300.1 | 10 | 4.4 | 32 |
| Morgan Stanley | 5,981.8 | 10 | 4.4 | 35 | 13,710.9 | 5 | 8.3 | 45 |
| Mizuho Financial Group | 3,133.8 | 11 | 2.3 | 10 | 1,643.9 | 16 | 1.0 | 8 |
| Guggenheim Securities LLC | 2,598.5 | 12 | 1.9 | 12 | 1,773.4 | 15 | 1.1 | 6 |
| BNP Paribas SA | 2,377.7 | 13 | 1.7 | 7 | 3,929.3 | 12 | 2.4 | 11 |
| Nomura | 2,053.0 | 14 | 1.5 | 5 | 842.9 | 22 | .5 | 4 |
| Societe Generale | 1,921.4 | 15 | 1.4 | 7 | 886.5 | 21 | .5 | 3 |
| Lloyds Bank | 1,707.1 | 16 | 1.2 | 6 | 525.0 | 24 | .3 | 3 |
| Jefferies LLC | 1,467.8 | 17 | 1.1 | 9 | 4,986.9 | 11 | 3.0 | 24 |
| Mitsubishi UFJ Financial Group | 1,425.2 | 18 | 1.0 | 6 | 2,754.3 | 13 | 1.7 | 9 |
| BMO Capital Markets | 1,252.1 | 19 | .9 | 6 | 1,047.7 | 20 | .6 | 4 |
| HSBC Holdings PLC | 1,027.7 | 20 | .8 | 5 | 607.1 | 23 | .4 | 3 |
| **Industry Total** | **137,616.4** | **-** | **-** | **329** | **164,791.2** | **-** | **-** | **386** |

## ABS ISSUERS
### 144A Only

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Navient Corp | 5,265.3 | 1 | 3.8 | 7 | 1,733.4 | 20 | 1.1 | 3 |
| SoFi Lending Corp | 4,199.2 | 2 | 3.1 | 11 | 1,330.1 | 39 | .8 | 4 |
| SoftBank Group Corp | 3,499.9 | 3 | 2.5 | 1 | - | - | - | - |
| Ford Motor Co | 3,100.9 | 4 | 2.3 | 3 | 6,606.0 | 1 | 4.0 | 7 |
| JPMorgan Chase & Co | 2,978.6 | 5 | 2.2 | 6 | 2,867.9 | 6 | 1.7 | 5 |
| Hyundai Motor Co Ltd | 2,844.2 | 6 | 2.1 | 4 | 2,881.3 | 5 | 1.8 | 3 |
| Blackstone Group LP | 2,622.9 | 7 | 1.9 | 7 | 5,627.2 | 2 | 3.4 | 10 |
| Fortress Investment Group LLC | 2,599.9 | 8 | 1.9 | 4 | 1,876.4 | 17 | 1.1 | 5 |
| Verizon Communications Inc | 2,568.7 | 9 | 1.9 | 2 | - | - | - | - |
| Springleaf Holdings Inc | 2,444.4 | 10 | 1.8 | 2 | 1,476.8 | 31 | .9 | 2 |
| Banco Santander SA | 2,413.5 | 11 | 1.8 | 4 | 817.4 | 68 | .5 | 2 |
| PepsiCo Inc | 2,300.0 | 12 | 1.7 | 1 | - | - | - | - |
| DriveTime Automotive Group Inc | 2,265.7 | 13 | 1.7 | 5 | 4,518.0 | 3 | 2.7 | 7 |
| General Motors Co | 2,260.4 | 14 | 1.6 | 2 | 1,722.3 | 21 | 1.1 | 2 |
| Hertz Global Holdings Inc | 2,185.3 | 15 | 1.6 | 5 | 889.0 | 59 | .5 | 3 |
| Golden Credit Card Trust | 2,124.8 | 16 | 1.5 | 3 | 1,874.9 | 18 | 1.1 | 3 |
| Toronto-Dominion Bank | 2,000.0 | 17 | 1.5 | 3 | - | - | - | - |
| Citigroup Inc | 1,964.0 | 18 | 1.4 | 6 | 3,789.0 | 4 | 2.3 | 6 |
| Credit Suisse Group AG | 1,872.1 | 19 | 1.4 | 4 | 2,191.2 | 11 | 1.3 | 4 |
| SLM Corp | 1,866.8 | 20 | 1.4 | 4 | 2,021.0 | 13 | 1.2 | 3 |
| **Industry Total** | **137,616.4** | **-** | **-** | **329** | **164,791.2** | **-** | **-** | **386** |

**Source: Thomson Reuters**

# 2016 LEAGUE TABLES

## RESIDENTIAL MBS MANAGERS
### Agency & Non-Agency

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Wells Fargo & Co | 61,084.6 | 1 | 16.1 | 104 | 36,715.8 | 3 | 9.8 | 109 |
| Credit Suisse | 56,808.6 | 2 | 15.0 | 113 | 53,618.2 | 1 | 14.4 | 145 |
| Bank of America Merrill Lynch | 45,785.9 | 3 | 12.1 | 107 | 36,161.5 | 4 | 9.7 | 112 |
| JP Morgan | 45,209.2 | 4 | 11.9 | 96 | 39,925.0 | 2 | 10.7 | 99 |
| Citi | 38,076.7 | 5 | 10.1 | 82 | 25,047.8 | 7 | 6.7 | 76 |
| Morgan Stanley | 28,193.9 | 6 | 7.4 | 70 | 30,377.0 | 5 | 8.1 | 75 |
| Goldman Sachs & Co | 26,335.3 | 7 | 7.0 | 57 | 23,776.6 | 8 | 6.4 | 57 |
| Nomura | 22,224.7 | 8 | 5.9 | 60 | 10,132.1 | 12 | 2.7 | 54 |
| Barclays | 12,012.6 | 9 | 3.2 | 41 | 28,046.1 | 6 | 7.5 | 86 |
| Deutsche Bank | 7,025.3 | 10 | 1.9 | 28 | 21,576.5 | 9 | 5.8 | 60 |
| BNP Paribas SA | 6,682.6 | 11 | 1.8 | 24 | 3,483.9 | 16 | .9 | 16 |
| Mizuho Financial Group | 4,816.2 | 12 | 1.3 | 20 | 2,638.2 | 18 | .7 | 13 |
| Jefferies LLC | 3,540.9 | 13 | .9 | 14 | 3,150.9 | 17 | .8 | 19 |
| UBS | 2,529.6 | 14 | .7 | 13 | 1,840.6 | 19 | .5 | 6 |
| Cantor Fitzgerald LP | 2,325.1 | 15 | .6 | 8 | 4,263.4 | 15 | 1.1 | 10 |
| Amherst Securities | 1,911.0 | 16 | .5 | 8 | 774.2 | 25 | .2 | 5 |
| Societe Generale | 1,870.3 | 17 | .5 | 8 | 1,044.7 | 21 | .3 | 3 |
| Bank of China Ltd | 457.6 | 18 | .1 | 1 | - | - | - | - |
| Pierpont Securities Holdings | 251.7 | 19 | .1 | 1 | - | - | - | - |
| Mitsubishi UFJ Financial Group | 250.0 | 20 | .1 | 1 | - | - | - | - |
| **Industry Total** | **378,847.1** | **-** | **-** | **712** | **373,047.8** | **-** | **-** | **768** |

## RESIDENTIAL MBS ISSUERS
### Agency & Non-Agency

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Freddie Mac | 123,712.8 | 1 | 32.7 | 176 | 100,838.1 | 1 | 27.0 | 192 |
| Government National Mortgage | 84,767.5 | 2 | 22.4 | 207 | 92,758.1 | 2 | 24.9 | 228 |
| Fannie Mae | 81,799.3 | 3 | 21.6 | 128 | 67,747.8 | 3 | 18.2 | 116 |
| Wells Fargo & Co | 10,142.4 | 4 | 2.7 | 18 | 12,710.0 | 4 | 3.4 | 17 |
| Morgan Stanley | 8,882.1 | 5 | 2.3 | 19 | 9,840.8 | 6 | 2.6 | 16 |
| Citigroup Inc | 7,764.7 | 6 | 2.1 | 11 | 6,034.8 | 10 | 1.6 | 10 |
| Caliber Funding LLC | 5,846.7 | 7 | 1.5 | 15 | 6,669.5 | 8 | 1.8 | 18 |
| Cantor Fitzgerald LP | 5,835.7 | 8 | 1.5 | 13 | 6,043.2 | 9 | 1.6 | 6 |
| Chimera Investment Corp | 5,001.4 | 9 | 1.3 | 3 | 307.8 | 46 | .1 | 1 |
| JPMorgan Chase & Co | 4,649.6 | 10 | 1.2 | 11 | 10,566.5 | 5 | 2.8 | 19 |
| Goldman Sachs Group Inc | 4,562.7 | 11 | 1.2 | 10 | 8,587.0 | 7 | 2.3 | 11 |
| JPMorgan Chase Bank NA | 3,401.0 | 12 | .9 | 6 | 770.8 | 35 | .2 | 2 |
| US Trust Bank NA | 3,026.7 | 13 | .8 | 6 | - | - | - | - |
| Walker & Dunlop Inc | 2,212.5 | 14 | .6 | 3 | 3,999.1 | 12 | 1.1 | 5 |
| Deutsche Bank AG | 2,088.0 | 15 | .6 | 6 | 1,233.9 | 25 | .3 | 2 |
| Bank of America Corp | 1,833.2 | 16 | .5 | 4 | 1,140.6 | 26 | .3 | 4 |
| Rushmore Loan Mgt Svcs LLC | 1,575.2 | 17 | .4 | 7 | 1,110.4 | 27 | .3 | 5 |
| German American Capital Corp | 1,534.0 | 18 | .4 | 3 | 888.4 | 33 | .2 | 1 |
| Bayview Loan Servicing Llc | 1,415.8 | 19 | .4 | 7 | 1,104.0 | 28 | .3 | 6 |
| Hilton Worldwide Holdings Inc | 1,381.9 | 20 | .4 | 2 | - | - | - | - |
| **Xndustry Totxl** | **378,847.1** | **-** | **-** | **712** | **373,047.8** | **-** | **-** | **768** |

**Source: Thomson Reuters**

# 2016 LEAGUE TABLES

## RESIDENTIAL MBS MANAGERS
### Non-Agency

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Credit Suisse | 16,291.8 | 1 | 18.3 | 49 | 24,371.5 | 1 | 17.8 | 79 |
| Wells Fargo & Co | 11,488.0 | 2 | 12.9 | 38 | 22,945.9 | 2 | 16.8 | 69 |
| Bank of America Merrill Lynch | 7,012.9 | 3 | 7.9 | 36 | 15,804.9 | 3 | 11.6 | 55 |
| JP Morgan | 6,822.8 | 4 | 7.7 | 24 | 13,600.8 | 4 | 10.0 | 42 |
| Deutsche Bank | 6,687.4 | 5 | 7.5 | 27 | 9,526.8 | 7 | 7.0 | 23 |
| Citi | 6,063.1 | 6 | 6.8 | 25 | 8,296.0 | 9 | 6.1 | 32 |
| Morgan Stanley | 5,489.0 | 7 | 6.2 | 24 | 13,187.4 | 5 | 9.7 | 33 |
| Goldman Sachs & Co | 5,267.9 | 8 | 5.9 | 17 | 8,324.7 | 8 | 6.1 | 19 |
| Barclays | 4,390.9 | 9 | 4.9 | 22 | 9,587.2 | 6 | 7.0 | 31 |
| UBS | 2,529.6 | 10 | 2.8 | 13 | 1,695.6 | 11 | 1.2 | 5 |
| Cantor Fitzgerald LP | 2,325.1 | 11 | 2.6 | 8 | 4,263.4 | 10 | 3.1 | 10 |
| Societe Generale | 1,870.3 | 12 | 2.1 | 8 | 1,044.7 | 13 | .8 | 3 |
| Mizuho Financial Group | 500.0 | 13 | .6 | 1 | 140.5 | 19 | .1 | 1 |
| Bank of China Ltd | 457.6 | 14 | .5 | 1 | - | - | - | - |
| Nomura | 311.9 | 15 | .4 | 4 | 524.4 | 15 | .4 | 6 |
| Mitsubishi UFJ Financial Group | 250.0 | 16 | .3 | 1 | - | - | - | - |
| Natixis Securities NA | 198.3 | 17 | .2 | 1 | 213.4 | 18 | .2 | 1 |
| Jefferies LLC | 192.7 | 18 | .2 | 2 | 1,101.4 | 12 | .8 | 4 |
| First Keystone National Bank | 182.6 | 19 | .2 | 1 | - | - | - | - |
| Natixis | 170.7 | 20 | .2 | 1 | - | - | - | - |
| **Industry Total** | **89,076.4** | **-** | **-** | **202** | **136,676.7** | **-** | **-** | **261** |

## RESIDENTIAL MBS ISSUERS
### Non-Agency

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Wells Fargo & Co | 10,142.4 | 1 | 11.4 | 18 | 12,710.0 | 2 | 9.3 | 17 |
| Morgan Stanley | 8,882.1 | 2 | 10.0 | 19 | 9,840.8 | 4 | 7.2 | 16 |
| Citigroup Inc | 7,764.7 | 3 | 8.7 | 11 | 6,034.8 | 8 | 4.4 | 10 |
| Caliber Funding LLC | 5,846.7 | 4 | 6.6 | 15 | 6,669.5 | 6 | 4.9 | 18 |
| Cantor Fitzgerald LP | 5,835.7 | 5 | 6.6 | 13 | 6,043.2 | 7 | 4.4 | 6 |
| Chimera Investment Corp | 5,001.4 | 6 | 5.6 | 3 | 307.8 | 45 | .2 | 1 |
| JPMorgan Chase & Co | 4,649.6 | 7 | 5.2 | 11 | 10,566.5 | 3 | 7.7 | 19 |
| Goldman Sachs Group Inc | 4,562.7 | 8 | 5.1 | 10 | 8,587.0 | 5 | 6.3 | 11 |
| JPMorgan Chase Bank NA | 3,401.0 | 9 | 3.8 | 6 | 770.8 | 34 | .6 | 2 |
| US Trust Bank NA | 3,026.7 | 10 | 3.4 | 6 | - | - | - | - |
| Walker & Dunlop Inc | 2,212.5 | 11 | 2.5 | 3 | 3,999.1 | 10 | 2.9 | 5 |
| Deutsche Bank AG | 2,088.0 | 12 | 2.3 | 6 | 1,233.9 | 24 | .9 | 2 |
| Bank of America Corp | 1,833.2 | 13 | 2.1 | 4 | 1,140.6 | 25 | .8 | 4 |
| Rushmore Loan Mgt Svcs LLC | 1,575.2 | 14 | 1.8 | 7 | 1,110.4 | 26 | .8 | 5 |
| German American Capital Corp | 1,534.0 | 15 | 1.7 | 3 | 888.4 | 32 | .7 | 1 |
| Bayview Loan Servicing Llc | 1,415.8 | 16 | 1.6 | 7 | 1,104.0 | 27 | .8 | 6 |
| Hilton Worldwide Holdings Inc | 1,381.9 | 17 | 1.6 | 2 | - | - | - | - |
| Fortress Investment Group LLC | 1,072.9 | 18 | 1.2 | 4 | 1,331.1 | 21 | 1.0 | 4 |
| Blackstone Group LP | 1,037.0 | 19 | 1.2 | 1 | 423.9 | 41 | .3 | 2 |
| Agate Bay Resources Ltd | 940.4 | 20 | 1.1 | 3 | 2,630.9 | 14 | 1.9 | 5 |
| **Industry Total** | **89,076.4** | **-** | **-** | **202** | **136,676.7** | **-** | **-** | **261** |

**Source: Thomson Reuters**

# 2016 LEAGUE TABLES

## RESIDENTIAL MBS MANAGERS
### Agency Only

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Wells Fargo & Co | 49,596.6 | 1 | 17.1 | 66 | 13,769.9 | 9 | 5.8 | 40 |
| Credit Suisse | 40,516.9 | 2 | 14.0 | 64 | 29,246.6 | 1 | 12.4 | 66 |
| Bank of America Merrill Lynch | 38,773.0 | 3 | 13.4 | 71 | 20,356.6 | 3 | 8.6 | 57 |
| JP Morgan | 38,386.4 | 4 | 13.3 | 72 | 26,324.1 | 2 | 11.1 | 57 |
| Citi | 32,013.6 | 5 | 11.1 | 57 | 16,751.9 | 6 | 7.1 | 44 |
| Morgan Stanley | 22,704.9 | 6 | 7.8 | 46 | 17,189.6 | 5 | 7.3 | 42 |
| Nomura | 21,912.8 | 7 | 7.6 | 56 | 9,607.7 | 12 | 4.1 | 48 |
| Goldman Sachs & Co | 21,067.3 | 8 | 7.3 | 40 | 15,451.9 | 8 | 6.5 | 38 |
| Barclays | 7,621.7 | 9 | 2.6 | 19 | 18,459.0 | 4 | 7.8 | 55 |
| BNP Paribas SA | 6,682.6 | 10 | 2.3 | 24 | 3,483.9 | 15 | 1.5 | 16 |
| Mizuho Financial Group | 4,316.2 | 11 | 1.5 | 19 | 2,497.6 | 16 | 1.1 | 12 |
| Jefferies LLC | 3,348.1 | 12 | 1.2 | 12 | 2,049.5 | 17 | .9 | 15 |
| Amherst Securities | 1,911.0 | 13 | .7 | 8 | 774.2 | 21 | .3 | 5 |
| Deutsche Bank | 337.9 | 14 | .1 | 1 | 12,049.7 | 11 | 5.1 | 37 |
| Pierpont Securities Holdings | 251.7 | 15 | .1 | 1 | - | - | - | - |
| RBC Capital Markets | 97.0 | 16 | .0 | 1 | 269.8 | 23 | .1 | 1 |
| Mischler Financial Group Inc | - | - | - | - | 16,064.0 | 7 | 6.8 | 68 |
| Bonwick Capital Partners LLC | - | - | - | - | 13,756.4 | 10 | 5.8 | 78 |
| Duncan-Williams Inc | - | - | - | - | 8,160.9 | 13 | 3.5 | 41 |
| Great Pacific Securities | - | - | - | - | 5,128.0 | 14 | 2.2 | 17 |
| **Industry Total** | **289,770.7** | **-** | **-** | **510** | **236,371.1** | **-** | **-** | **507** |

## COMMERCIAL MBS MANAGERS
### Public & 144A

Dollars in millions

| Book Runner | 1/1/2016 - 12/31/2016 | Rank | Mkt. Share | Number of Issues | 1/1/2015 - 12/31/2015 | Rank | Mkt. Share | Number of Issues |
|---|---|---|---|---|---|---|---|---|
| Wells Fargo & Co | 17,513.1 | 1 | 13.6 | 44 | 19,017.6 | 1 | 17.5 | 44 |
| JP Morgan | 16,377.1 | 2 | 12.7 | 47 | 8,877.3 | 7 | 8.2 | 28 |
| Credit Suisse | 13,940.3 | 3 | 10.8 | 30 | 12,234.8 | 3 | 11.2 | 29 |
| Bank of America Merrill Lynch | 11,459.2 | 4 | 8.9 | 32 | 10,991.4 | 4 | 10.1 | 29 |
| Morgan Stanley | 11,031.4 | 5 | 8.5 | 36 | 13,066.2 | 2 | 12.0 | 31 |
| Citi | 10,487.0 | 6 | 8.1 | 34 | 7,448.1 | 9 | 6.8 | 29 |
| Goldman Sachs & Co | 9,460.5 | 7 | 7.3 | 26 | 7,747.3 | 8 | 7.1 | 18 |
| Barclays | 8,548.3 | 8 | 6.6 | 28 | 10,382.2 | 5 | 9.5 | 29 |
| Deutsche Bank | 6,359.4 | 9 | 4.9 | 24 | 9,451.8 | 6 | 8.7 | 22 |
| Jefferies LLC | 3,367.6 | 10 | 2.6 | 13 | 989.0 | 13 | .9 | 2 |
| Nomura | 2,700.9 | 11 | 2.1 | 10 | 71.4 | 19* | .1 | 1 |
| UBS | 2,328.0 | 12 | 1.8 | 12 | 1,695.6 | 11 | 1.6 | 5 |
| Cantor Fitzgerald LP | 2,123.5 | 13 | 1.6 | 7 | 4,263.4 | 10 | 3.9 | 10 |
| Societe Generale | 1,668.8 | 14 | 1.3 | 7 | 1,044.7 | 12 | 1.0 | 3 |
| Amherst Securities | 1,251.5 | 15 | 1.0 | 6 | - | - | - | - |
| Mizuho Financial Group | 500.0 | 16 | .4 | 1 | 140.5 | 17 | .1 | 1 |
| Bank of China Ltd | 457.6 | 17 | .4 | 1 | - | - | - | - |
| Pierpont Securities Holdings | 251.7 | 18 | .2 | 1 | - | - | - | - |
| Mitsubishi UFJ Financial Group | 250.0 | 19 | .2 | 1 | - | - | - | - |
| Natixis Securities NA | 198.3 | 20 | .2 | 1 | 213.4 | 16 | .2 | 1 |
| **Industry Total** | **129,253.1** | **-** | **-** | **263** | **108,935.4** | **-** | **-** | **165** |

**Source: Thomson Reuters**

# A Different Kind of Credit Ratings Agency


Corporate

Commercial mortgage-backed securities, CMBS Re-REMIC and CRE CLO's

Residential mortgage-backed securities and RMBS Re-REMIC

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Financial Institutions

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