Green Street

Asset-Backed Alert

THE WEEKLY UPDATE ON WORLDWIDE SECURITIZATION

MAY 12, 2023

THE GRAPEVINE

Linda Hsu has joined **Sixth Street** as a New York-based managing director, serving as chief operating officer for the investment firm's structured-product business. Hsu arrives from **Credit Suisse,** where she also was a managing director. She had been part of a group that followed **Jay Kim** to the bank from **Barclays** in 2011. But she stayed behind when Credit Suisse sold much of its securitization business to **Apollo Global Management** in February, forming **Atlas SP Partners** with Kim at the helm. Earlier, Hsu worked at **Fitch.**

Customers Bank has tapped **Cem Gultekin** to lead an expansion of the funding sources for its consumer-lending business. The assignment encompasses oversight of a multibillion-dollar portfolio of online accounts that includes personal loans, student loans and mortgages, along with the building of a securitization program

See GRAPEVINE on Back Page

Florida Prohibition Creates ESG Conundrum

Amid growing efforts to limit deployment of public funds for investments based on environmental, social and governance principles, securitization professionals increasingly see themselves headed into a policy quagmire.

The concerns stem from the May 2 signing by Gov. **Ron DeSantis** of a law that prohibits state and local entities in Florida from basing their investments on ESG factors. While states including Idaho, Indiana, Kansas and North Dakota already had some ESG-investing controls in place, the measure is the furthest-reaching of its kind — and is expected to serve as a model for more than a dozen other states.

At the same time, states including Illinois and Maryland have pro-ESG investment guidelines in place or are considering such policies.

And many companies active in structured finance — banks, specialty lenders and investors, to name a few — also have written ESG initiatives into their missions in recent years. Now, they're questioning how they can pursue those goals when

See FLORIDA on Page 10

MetLife Vet Leads Bayview Insurance Push

Nancy Mueller Handal has left **MetLife Investment Management,** where she gained recognition as one of the securitization industry's most widely known buy-side professionals.

Mueller Handal started on May 1 as a member of the executive-management team at **Bayview Asset Management** in New York, taking on leadership of a new unit called Bayview Insurance Investment Management as the operation's chief investment officer.

The group's mission is to engage more directly with insurance companies, with sources characterizing it as aiming to serve as an asset manager for those operations.

To that end, the hiring of Mueller Handal reflects a desire to draw both on her experience at MetLife — one of the world's largest insurers — and the relationships she fostered with other structured-finance professionals while working there. Indeed, a strong securitization profile is key for Bayview given the Coral Gables, Fla., firm's profile as an investor focused on mortgages and other consumer credit

See VET on Page 10

CLOs Encountering Class-Performance Rift

Divergences in the credit profiles of collateralized loan obligations' senior and junior notes are likely to increase this year.

The forecast is a function of a persistently difficult market for CLO repricings. In the past, issuers typically reset their CLOs as the deals were about to exit their reinvestment periods — avoiding a phenomenon in which credit support can grow for senior notes while shrinking for subordinate securities as the transactions progress into amortization.

But as a deteriorating credit cycle has made it uneconomical to call and reissue many aging deals over the past year, fewer managers have opted to extend their investment runways. The results can be seen in part through simultaneous upgrades of CLOs' senior notes and downgrades of their junior notes, something **Moody's** has done at least three times this year.

CLOs typically start their lives with active-management periods of three or four

See RIFT on Page 12

Aircraft Startup Sets Issuing Course

An aircraft-focused investment firm that launched this year is incorporating securitization into its funding strategy.

AIP Capital, of Stamford, Conn., is eyeing mid-2024 to float a debut offering backed by leases. There's no word on the potential size of the issue.

As part of the leadup to the effort, AIP plans to secure a warehouse facility in the coming months. The underlying aircraft would have an average age of seven years, an area where market participants see strong value. "That's the best use of capital in today's market," one source said. "The midlife [aircraft] strategy is pretty compelling right now."

AIP already has a $1.6 billion portfolio encompassing 30 aircraft, with another 68 **Boeing** 737 Max models on order. Its activities include aircraft management, operating and acquisition finance, and private credit investing.

AIP's team consists of 14 professionals with deep experience in aircraft finance, including securitization. Among them are managing partners **Mathew Adamo** and **Jared Ailstock,** who started the operation after a brief stop at **Pimco**-backed **Voyager Aviation** in 2022.

A portion of the Voyager team followed Adamo and Ailstock to AIP, which has an office in Dublin.

Earlier, Adamo and Ailstock worked together as managing directors at **Castlelake.** That Minneapolis-based investment shop completed three securitizations of aircraft leases totaling $1.1 billion during their time on board, according to **Asset-Backed Alert's** ABS Database.

A new addition to the team is general counsel **Greg Kahn,** who arrived in March. Kahn previously held the same title at **Priority 1 Holdings,** and worked on a $726 million aircraft-lease securitization by sister company **Stellwagen Group.**

AIP is 49% owned by private equity shop **777 Partners** and 51% owned by the management team. ❖

Personal Lender Targets Tech Workers

A lender that caters to employees of private technology companies is eyeing securitization as a funding mechanism.

San Francisco-based **Multiply** originates personal lines of credit that are secured by private shares in late-stage tech companies. In many cases, it forms partnerships with employers that want to offer the financing option as an employee benefit.

Details about Multiply's securitization plans, including the timing of a debut bond offering, weren't available. The company currently funds its lending activity in part through a warehouse facility from an unidentified lender. It is now trying to secure a second warehouse line, a source said.

The initiatives appear to dovetail with a recruiting effort aimed at filling the newly created role of head of capital markets. Candidates, who should have at least eight years of experience, would be tasked with managing the warehouse lines while building a securitization program.

Multiply was founded in January 2022 by **Michael White** and **Gautam Gupta.** White's resume includes senior engineering roles at **DoorDash** and **Square,** while Gupta previously served as chief financial officer at **Opendoor** and head of finance at **Uber.** He earlier spent nearly six years at **Goldman Sachs.**

Multiply has received venture capital funding from **A* Capital, BoxGroup** and **Kleiner Perkins.** ❖

Card Originator Exits Pipeline

Expense-management software company **Airbase** is exiting the corporate credit card lending business.

The move effectively removes the San Francisco company from contention to establish a securitization program, something industry participants had raised as a possibility when it secured a $150 million line of credit from **Goldman Sachs** in July 2022.

Now, Airbase has paid off the facility. The reasons for the company's withdrawal from credit card lending are unclear.

The corporate credit card landscape has become increasingly competitive in recent years, especially among online originators. **Brex, Divvy** and **Ramp,** for example, are among established players with programs that continue to grow.

New rivals are popping up as well. For example, **Parker** earlier this year launched a corporate card program tailored to e-commerce companies, with funding coming in part via a $120 million warehouse facility from **Jefferies.**

That said, the collapse of **Silicon Valley Bank** is likely to create some long-term pressures for credit card lenders positioned as financial-technology companies. Indeed, Airbase had struck a deal in October 2021 to supply its software to holders of SVB business-card accounts.

Navan, a producer of corporate travel software that has looked at securitization for a credit card program it runs, also had a $100 million debt facility with SVB. The company, formerly known as TripActions, said its "financial position remains strong" despite the bank's closure.

The full effects could take longer to materialize. That's because **First Citizens Bank,** which bought SVB on March 27, has yet to confirm whether it will renew some warehouse lines it took on with the acquisition. "All the lines that SVB has out there, they're still running," one source said. "You never know what happens when it expires."

Airbase was founded in 2017 by chief executive **Thejo Kote.** Previously, Kote co-founded and led **Automatic Labs,** an automotive-data company that **SiriusXM** bought in 2017. ❖

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[1]Asset-Backed Alert CLO rankings as of 3/31/23

S&P Eases Insurer Proposal

After considerable pushback, **S&P** has revised a proposed update to its methodology for calculating insurance companies' risk-based capital adequacy.

The new version, released on May 9, would punish insurers far less for holding assets that the agency does not rate.

The original proposal, unveiled in December 2021, called for S&P to treat insurers' holdings of loans or bonds with grades only from other agencies as if it had assigned them comparably lower marks — with structured products subject to especially large penalties. The plan drew sharp criticism from government officials and rival rating agencies amid claims that the aim was to steer business away from competitors. Trade groups including the **Structured Finance Association** also weighed in, suggesting the tactic would hurt market liquidity.

Following a warning from the **U.S. Justice Department,** S&P then withdrew the proposal in May 2022

The new framework allows S&P to rely on guidance from insurance regulators in measuring appropriate risk weights for holdings with grades from other rating agencies. In many cases, the measurements would draw on tables maintained by the regulators that map the equivalence of ratings from different agencies.

The updated treatment also would allow S&P to base its calculations on credit-quality designations the **National Association of Insurance Commissioners** provides for unrated and privately rated bonds and loans.

The previous proposal specified that S&P's rating penalties would apply to insurers' holdings of bonds or loans rated only by **Moody's** or **Fitch.** It was not explicit on the treatment of positions graded only by **DBRS Morningstar** or **KBRA.**

Comments on the new proposal are due by June 30. ❖

Data Companies Shop For Funding

Data-center operators are considering alternatives to broadly distributed securitizations.

According to a report that **KBRA** plans to release in the coming days, some of those companies have inquired about project-finance structures — typically private arrangements that fund infrastructure development via combinations of equity and nonrecourse debt based on the projects' anticipated cashflows. Others are looking at straightforward bank loans.

A move toward privately placed lease securitizations also is possible, with some incorporating aspects of commercial mortgage-backed securities.

The idea is that private financing could offer cheaper funding than the operators currently can obtain through **SEC**-registered or Rule-144A securitizations of leases on their facilities. Consider that as persistent inflation and rising interest rates weighed on the debt market, the asset class produced just five such transactions totaling $1.2 billion last year — two privately placed and three issued under Rule 144A — according to **Asset-Backed Alert's** ABS Database.

That was down from 11 issues for $6.7 billion in 2021, two private and nine Rule 144A. This year, meanwhile, already has produced five 144A offerings for $2.1 billion, mostly deals delayed amid last year's tumult.

The interest in finding alternatives comes amid continued growth in data-center operations, necessitated by a 30% rise in internet traffic worldwide from 2018 to 2022. And KBRA's report cites expectations of another 28% jump in the coming five years due in part to the adoption of 5G communications, artificial intelligence and internet-connected home devices.

There are more than 2,700 data centers in the U.S. Much of the accompanying leasing growth has involved large facilities used by so-called hyperscalers including **Amazon Web Services, Google, Meta** and **Microsoft** that need massive amounts of capacity to satisfy long-term expansion plans.

Data centers in the U.S. are clustered in 14 regions, with nearly 40% of their capacity centered in Northern Virginia. KBRA said the geographic distribution could create headwinds for growth, reflecting factors including a lack of available development sites. Some projects also have faced community opposition, due in part to high energy use.

The result could be more development in secondary locales such as Denver, Detroit, Pittsburgh, Salt Lake City and Tampa.

While **S&P** has been the leader in rating data-center securitizations, KBRA has appeared on six such deals so far. Most recently, it assigned an A- mark to a $715 million offering that **DataBank** priced on Feb. 23 via bookrunners **Deutsche Bank, Guggenheim** and **TD Bank.** ❖

Conduit Growth Losing Momentum

The commercial-paper conduit market is still growing, but ongoing economic upheaval is stunting its pace.

With rampant inflation increasingly forcing consumers to tap credit cards and other forms of debt for their purchases, the overall need for short-term funding has grown. That helped push up the worldwide volume of conduit securities in the hands of investors to an average of $396.7 billion during the fourth quarter of 2022, according to **Moody's.**

On one hand, that tally marked an increase of 3.6% from the year-earlier average of $382.9 billion, at a time when virtually every other sector of securitization shrank. On the other hand, it was a far cry from the 2021 growth level of 9% — the fastest expansion since before the Great Recession.

Indeed, while last year's increase demonstrated that the asset-backed commercial paper market continues to gain some long-awaited traction, the results also failed to live up to hopes that 2022 outstandings could approach $500 billion. Now, industry

See CONDUIT on Page 8

Top Conduit Sponsors

		Average Outstandings 4Q-22 ($Bil.)	Average Outstandings 4Q-21 ($Bil.)
1	JPMorgan Chase	$43.6	$46.9
2	RBC	36.2	31.6
3	Credit Agricole	31.7	29.7
4	MUFG	23.2	23.7
5	Northcross Capital	20.8	18.6
6	BNP Paribas	21.2	14.2
7	Societe Generale	19.1	16.9
8	Citibank	18.2	13.0
9	TD Bank	17.7	10.9
10	BSN Holdings	17.4	18.5
11	Nearwater Liquid Markets	14.0	14.2
12	Barclays	12.7	8.6
13	Bank of Nova Scotia	11.0	7.2
14	Bank of Montreal	8.7	5.8
15	MetLife	8.6	8.8
16	Natixis	8.3	6.6
17	Sumitomo Mitsui Banking Corp.	7.9	5.9
18	Canadian Imperial Bank of Commerce	6.6	5.5
19	Intesa Sanpaolo	6.6	6.1
20	UniCredit Bank	4.7	5.5
	Others	58.5	75.6
	TOTAL	**396.7**	**382.9**

Source: Moody's

Largest Commercial-Paper Conduits

Excludes medium-term note programs

	Conduit Name	Sponsor	Primary Holdings	Average Outstandings 4Q-22 ($Bil.)	Average Outstandings 4Q-21 ($Bil.)
1	Liquidites de Marche	Credit Agricole	Trade and term receivables, securities	$20.9	$20.6
2	Chariot Funding	JPMorgan Chase	Trade and term receivables	15.5	14.5
3	Old Line Funding	RBC	Trade and term receivables	12.8	10.6
4	Collateralized Commercial Paper 5	JPMorgan Chase	Securities	12.6	16.0
5	Matchpoint Finance	BNP Paribas	Trade and term receivables, securities	12.0	9.4
6	Antalis	Societe Generale	Trade and term receivables (Euro)	11.6	12.2
7	Anglesea Funding	Northcross Capital	Securities, loans, repos	11.6	12.8
8	Bedford Row Funding	RBC	Securities	10.0	10.2
9	Starbird Funding	BNP Paribas	Trade and term receivables	9.2	4.7
10	GTA Funding	TD Bank	Trade and term receivables	9.1	2.2
11	MetLife Short Term Funding	MetLife	Funding agreements	8.6	8.8
12	Sheffield Receivables	Barclays	Trade and term receivables	8.3	6.5
13	Victory Receivables	MUFG	Trade and term receivables	8.1	6.3
14	Liberty Street Funding	Bank of Nova Scotia	Trade and term receivables	7.8	4.4
15	Atlantic Asset Securitization	Credit Agricole	Trade and term receivables	7.7	6.7
16	Barton Capital	Societe Generale	Trade and term receivables	7.5	4.7
17	Ridgefield Funding	Guggenheim Treas. Serv.	Trade and term receivables, securities	7.5	9.3
18	Manhattan Asset Funding	Sumit. Mitsui Bank. Corp.	Trade and term receivables	7.4	5.4
19	Thunder Bay Funding	RBC	Trade and term receivables	7.3	6.7
20	Collateralized Commercial Paper Flex	JPMorgan Chase	Securities	7.3	8.1

Mortgages Keeping Up To Date

Delinquencies among securitized mortgages are on the downswing.

According to an index maintained by **KBRA,** April remittance reports showed a 16-bp drop in the volume of prime-quality accounts 30 to 59 days past due, to 0.29%. That brought the figure to a level last seen in September, which in turn was the best showing since September 2019. Subprime-loan delinquencies of 30 to 59 days fell 24 bp to 1.57%, the lowest level logged since November.

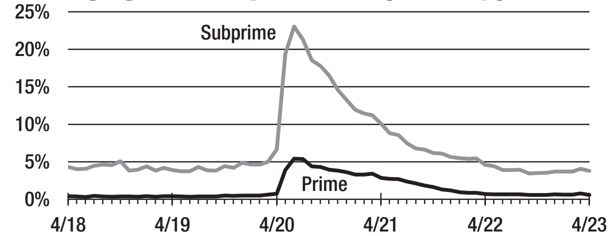
Delinquencies in both categories had spiked in March after holding steady for the previous two months.

Meanwhile, annualized losses increased among prime-loan pools while falling for subprime portfolios, with both figures remaining near zero.

Constant prepayment rates, which had been on a long downward trend as rising interest rates negating borrowers' incentives to refinance, rose for the second straight month. For prime loans, that figure now is at 4.18%, up 138 bp. For subprime loans, it climbed 220 bp to 8.74%.

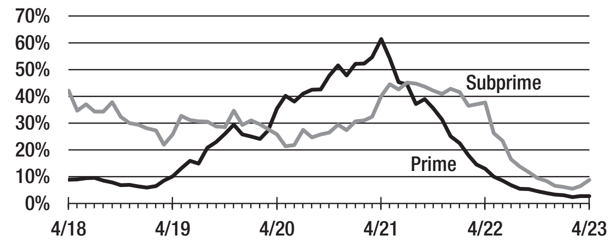
For risk-transfer deals, delinquencies of 30 to 59 days remained below 1% for reference pools separately containing low and high loan-to-value pools, with annualized net losses near zero. ❖

Mortgage Delinquencies (30-Day)



Source: KBRA

Mortgage Prepayment Speed



Source: KBRA

Solar-Loan Performance Improves

Key performance indicators for securitized pools of solar-power equipment receivables strengthened in the April installment of an index maintained by **KBRA.**

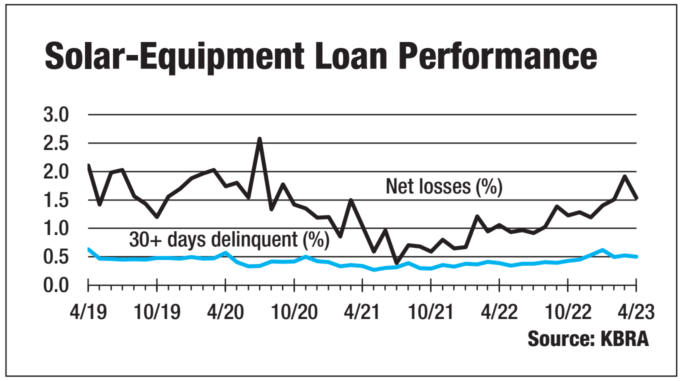
Annualized net losses dropped 38 bp to 1.54% for the most recent reporting period, after rising for three consecutive months. KBRA attributed the turnaround to lower gross losses among a handful of 2022-vintage securitizations.

Delinquencies also fell, with the proportion of loans 30 to 59 days past due dipping 2 bp to 0.50%. The rate is still above the year-earlier reading of 0.39%.

The proportion of loans 60 to 119 days past due decreased 7 bp on the month to 0.48%, compared with 0.37% a year ago.

However, considering the impact of persistently high inflation, rising borrowing costs and a slowing economy, KBRA expects solar loan credit performance "to generally weaken in the coming months."

Meanwhile, constant prepayment rates rose 151 bp to 6.83% — the second consecutive monthly increase following a 24-month downward trend.



"Although this may indicate that prepayment rates have already reached their nadir, [they] will likely remain near low levels, due to a slowing housing market, weaker consumer credit fundamentals and relatively lower interest rates on existing solar loans compared to other consumer-loan products," KBRA said. ❖

Conduit ... From Page 5

participants are forecasting a continued loss of momentum that could lead to a flat or even down year for 2023.

What happened? For starters, fears of an economic recession began to erode originations of some consumer and commercial assets as the year wore on, such as personal loans, trade receivables and equipment loans and leases.

Auto-Loan Data Running Strong

Performance indicators for securitized auto loans improved in April.

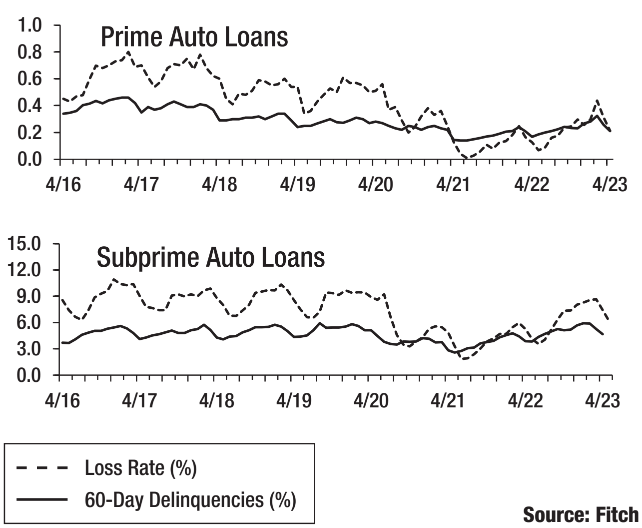
According to an index maintained by **Fitch,** annualized net losses among prime-quality loans plunged 11 bp for the month to 0.21%. Meanwhile, delinquencies of 60 days or more dropped 5 bp to 0.21%.

Among subprime accounts, annualized losses dropped 130 bp to 6.16%, while delinquencies fell 61 bp to 4.67%.

Each of the readings is at its lowest point since mid-2022. Distributions of income-tax refunds played a large role in the improvement, although Fitch notes that high inflation and other economic pressures could cause deterioration in the months ahead.

Meanwhile, recoveries across prime-quality and subprime loans separately jumped to their highest levels since June 2022. That figure, which expresses the principal lenders receive on defaulted loans by selling repossessed vehicles, now stands at 71.16% for prime accounts, a monthly jump of 1,626 bp. For subprime accounts, it's at 54.96%, up 1,079 bp.

Those gains are due in part to increases in used-car values in several of the preceding months. That said, the recovery data only reflects results through the first quarter and does not include a decline logged during the April calendar month.



Source: Fitch

Thin new-car inventories also weighed on auto-loan originations. Consider that new light-vehicle sales totaled 13.7 million units in 2022, an 8.2% decrease from 2021 and the lowest full-year tally since 2011, according to the **National Automobile Dealers Association.**

Issuing costs soared as well as the **Federal Reserve** attempted to tame inflation through a series of interest-rate hikes, with yields on the short end of the curve further inflated by near-term recessionary concerns. In fact, it costs almost as much today to issue 30-day notes with top ratings as it does to sell two-year securities with triple-A marks.

One-month conduit securities are selling at yields around 5.2%, up from 4.9% at yearend and about 0.5% during the first quarter of 2022.

That tracks an increase seen among the money-market pieces of term deals, where yields on new auto-loan issues have risen to some 5% from 1.3% a year ago. Meanwhile, the two-year classes of those offerings are averaging around 5.5%. "Some issuers have stopped selling so-called money-market tranches altogether," one banker said.

Still, there are some hints of growth. Several new conduits are in the works with potential launch dates this year. They would follow the launch around the beginning of this year of a **TD Bank** vehicle dubbed Cabot Trail Funding.

No-growth years have been rare for the conduit sector in recent years. The fourth-quarter 2021 count was up 1.2% from a year earlier, for example, on top of a 1% increase that took place in 2020 even as pandemic-related pressures weighed on the industry.

That followed a 4% jump in 2019 and a no-growth year in 2018, with increases of 6% in 2017, and 3.5% in 2016, and declines of 3% in 2015, 2% in 2014, 15% in 2013 and 19% in 2012.

Amid last year's growth, there was no change atop the league table for conduit sponsors. **JPMorgan Chase** retained its usual standing as the market leader as its vehicles kept an average of $43.6 billion of securities in the hands of investors during the fourth quarter. That was down from $46.9 billion a year earlier, according to Moody's. **RBC** retained its second-place spot at $36.2 billion, up from $31.6 billion. **Credit Agricole** held in third at $31.7 billion, up from $29.7 billion.

Among the world's 20 largest conduits as measured by securities outstanding, 15 reappeared from last year's ranking. Among them, eight had more paper in the hands of investors than a year ago and seven had less.

The biggest was Credit Agricole's Liquidites de Marche, which increased its fourth-quarter tally to an average of $20.9 billion from $20.6 billion. JPMorgan's Chariot Funding was second at $15.5 billion, up from $14.5 billion. RBC's Old Line Funding was third at $12.8 billion, up from $10.6 billion.

The statistics from Moody's account for conduits worldwide. According to the **Federal Reserve,** which doesn't parse out conduits, there was $288 billion of asset-backed commercial paper outstanding in the U.S. on May 10, down from $299.4 billion on April 5, and $298.8 billion at yearend 2022. ❖

Florida ... From Page 1

states are adopting such divergent mandates.

The situation also is prompting rating-agency officials to huddle over the possible impacts on their efforts to assign ESG designations to various financial products, a potentially rich source of business that already has been beset by quarrels over the utility of those evaluations.

"It's a disaster," one banker said. "You can't structure bonds to meet the requirements of each state. So if the Florida legislation is adopted elsewhere, you'll see a lot of people rethink their ESG goals."

Like similar actions in other states, the Florida law directs entities under its jurisdiction to prioritize returns in investment decisions without considering ESG factors. It also bars deposits of public funds in banks that deny services based on religious or political beliefs. And it prohibits state and local entities from issuing ESG bonds or creating restrictions tied to ESG ratings, a limitation that industry professionals see as effectively banning public investments in instruments with such designations.

"This is a very big deal," **Structured Finance Association** chief executive **Michael Bright** said. "It certainly will have an impact on how much ESG issuance can get done, and we expect more states to copy what Florida did."

The Florida law amplifies what already has been a hotly debated issue among structured-product professionals, with conflicts centered mostly around whether investment managers violate their fiduciary duties when allocating capital to ESG-compliant positions that they know might underperform.

In March, DeSantis teamed up with the governors of Alabama, Alaska, Arkansas, Georgia, Idaho, Iowa, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Oklahoma, South Dakota, Tennessee, Utah, West Virginia and Wyoming to create an alliance opposing efforts by the **Biden Administration** to promote ESG investing. In doing so, the members said they had "committed to lead state-level efforts to protect individuals from the ESG movement that threatens the vitality of the American economy and Americans' economic freedom, such as removing all state pension funds and state-controlled investments from firms that follow the ESG model of 'politics before fiduciary duty.' "

The statement came partly in response to a promise by Biden to veto a Republican bill that would have reversed a **U.S. Department of Labor** regulation allowing ESG-focused investment decisions by pension managers, an action he took days later.

Given the political thorniness of the issue, meanwhile, the SFA has avoided outright advocacy of ESG considerations at the federal or state levels and instead has focused its efforts on developing a standard reporting framework. That work began with the 2019 creation of a task force that since has reached common ground on environmental matters but has been slower to find agreement on social and governance considerations.

As for rating-agency initiatives, they include the September launch by **Fitch** of an operation called Sustainable Fitch that offers ESG analysis and research as a separate entity from Fitch Ratings. The operation assigns ESG relevance scores to asset- and mortgage-backed securities, a practice that it believes will not violate Florida's law.

"Fitch Ratings assigns ESG Relevance Scores in committee, after the credit rating has been determined. They are observational in nature and do not determine credit ratings. Therefore, we do not expect that the new law will affect our ability to rate bonds in the state of Florida," a spokesperson said.

According to Fitch, issuance of so-called social sustainability-linked bonds has totaled nearly $450 billion since 2018. That count includes offerings incentivized by the Biden Administration, in part through provisions in the Inflation Reduction Act.

KBRA chief executive **Jim Nadler,** meanwhile, said in January that he believes much of the backlash against ESG efforts stems from an oversimplification of the issues, and that it's key to distinguish between financial and nonfinancial matters.

"These attacks against ESG will continue beyond 2023 unless we clarify what is meant by financial risk versus nonfinancial impact in the analysis of ESG issues. … At KBRA, we believe our value-add to the market is to comment on how ESG affects credit risk and that subjectivity around ESG impact should be left to the investor, not our credit rating analysts," he said. ❖

Vet ... From Page 1

products, including asset-backed bonds.

Mueller Handal had joined MetLife Investment in 2000 as a junior staffer and eventually rose to oversee some $90 billion of assets as global head of private fixed-income and alternative investments. In that role, she was responsible for the Whippany, N.J., operation's positions in residential whole loans and nonagency mortgage bonds, privately placed and Rule-144A asset-backed securities, and private corporate and infrastructure debt.

On the alternative side, her purview also included limited-partnership stakes in hedge funds and private equity fund, and certain direct investments, with additional coverage including workouts, vetting of separate-account managers and oversight of equity and fixed-income index exposures.

Before moving into that role, Mueller Handal led MetLife's structured-product group, having assumed that role in 2012 amid a management shift that saw predecessor **William Moretti** take on a new assignment. The position saw Mueller Handal take charge of $45 billion in investments in asset-backed securities, collateralized loan obligations and commercial mortgage bonds, while retaining her former tasks as head of the company's residential mortgage bond portfolio.

As she moved through those assignments, Mueller Handal built a reputation as a highly regarded and visible member of the structured-product community who often appears on panels at major industry conferences. She currently serves as vice chair of the **Structured Finance Association's** board and is a board member for the trade group's **Structured Finance Foundation.** She also has served as a member of the **U.S. Treasury Department's** borrowing advisory committee.

MetLife Investment ended 2022 with $579.8 billion under management. As of Feb. 28, Bayview had $15.6 billion under management. ❖

Rift ... From Page 1

years. Even with some allowances for trading, the asset pools for issues that don't reprice after that become more or less static.

That inevitably leads to deteriorating collateral performance as managers lose flexibility to sell loans that are downgraded or that default. And the deals' junior-most notes, particularly those initially rated single-B, are most vulnerable to that weakening.

However, the issues' senior pieces gain support on top of the already strong credit enhancement they carry at issuance. That's because the managers use incoming principal from their asset pools to pay down those notes in sequence, starting with triple-A-rated tranches. As the balance of triple-A notes declines, in turn, overcollateralization, or the degree to which the assets are worth more than the liabilities, grows for double-A and single-A notes.

Neither dynamic benefits CLO managers. While senior noteholders appreciate upgrades, repaying a deal's least expensive debt and leaving higher-yielding subordinate notes increases funding costs in relation to the collateral. Downgrades of junior notes also can make it more difficult to sell new debt.

The upshot is that issuers would prefer not to see diverging rating actions among their deals' senior and junior classes, an occurrence that industry participants nonetheless see as likely to become more frequent.

Overall, Moody's has downgraded at least 13 CLOs this year while upgrading more than 100 issues in amortization. **S&P** downgraded 14 CLO tranches and upgraded two during the first quarter. **Fitch** has upgraded seven tranches of CLOs backed broadly by syndicated loans this year and has not downgraded any.

Moody's most recent action involving an upgrade and downgrade of the same deal took place on April 21. In that case, it raised its rating for one tranche of a CLO that **Alcentra** originally issued in 2017, and partially repriced in 2020, to Aa1 from Aa2, while downgrading another to Caa3 from Caa2.

Similarly, on April 12, Moody's upgraded one tranche and downgraded another tranche of a deal **Symphony Asset Management** completed in 2018. While that CLO didn't enter amortization until the end of April, Moody's cited a short remaining reinvestment period as a factor in its action.

The move followed an April 4 action in which Moody's upgraded two classes of notes and downgraded another tranche from a CLO that **MidOcean Credit Partners** originally issued in 2017 and partially refinanced in February 2020. That deal has been out of its reinvestment period since July 2021.

In good times, managers routinely have called and reissued or reset deals nearing expiration, extending their reinvestment periods for years at a time. Today, that's proving a costly tactic for the shrinking number of issuers that attempt it.

Roughly 22% of the 1,220 U.S. CLOs with current ratings from Moody's had exited their reinvestment periods as of year-end 2022. If the slowdown in refinancings continues into 2023, that figure could easily rise by 25 percentage points, said **Leon Mogunov,** an associate managing director in the agency's structured-finance group. ❖

INITIAL PRICINGS

Ford Credit Floorplan Master Owner Trust A, 2023-1

Priced: May 9
Amount: $1.7 billion
Collateral: Floorplan loans
Seller: Ford
Bookrunners: Bank of America, Barclays, Citigroup, Societe Generale, Mizuho

Class	M/F	Amount	Yield	WAL	Spread	Benchmark
A-1	AAA	1,350.000	4.971	3.00	+125	I-Curve
A-2	AAA	150.000		3.00	+125	SOFR
B	AA	88.816	5.371	3.00	+165	I-Curve
C	A1/A	78.947	5.821	3.00	+210	I-Curve
D	A3/BBB	59.211	6.721	3.00	+300	I-Curve

GM Financial Automobile Leasing Trust, 2023-2

Priced: May 9
Amount: $1.2 billion
Collateral: Auto leases
Seller: General Motors
Bookrunners: TD Securities, Barclays, Bank of America, Credit Agricole

Class	S/F	Amount	Yield	WAL	Spread	Benchmark
A-1	A1+	190.570	5.452	0.30	+26	I-Curve
A-2A	AAA	353.100	5.506	1.13	+82	I-Curve
A-2B	AAA	115.000		1.13	+82	SOFR
A-3	AAA	408.150	5.109	2.01	+110	I-Curve
A-4	AAA	66.300	5.146	2.38	+125	I-Curve
B	AA	60.770	5.609	2.50	+175	I-Curve

INITIAL PRICINGS

Santander Drive Auto Receivables Trust, 2023-2

Priced: May 9
Amount: $1 billion
Collateral: Auto loans (subprime)
Seller: Santander Group
Bookrunners: Citigroup, Deutsche Bank, Santander

Class	M/S	Amount	Yield	WAL	Spread	Benchmark
A-2	AAA	415.000	5.950	0.63	+88	I-Curve
A-3	AAA	214.490	5.269	1.68	+100	I-Curve
B	Aaa/AA	156.970	5.298	2.54	+145	I-Curve
C	Aa1/A	247.010	5.542	3.66	+190	I-Curve

Exeter Automobile Receivables Trust, 2023-2

Priced: May 9
Amount: $622.9 million
Collateral: Auto loans (subprime)
Seller: Exeter Finance Corp.
Bookrunners: Deutsche Bank, BNP Paribas, Wells Fargo

Class	S/F	Amount	Yield	WAL	Spread	Benchmark
A-1	A1+	53.700	5.592	0.12	+33	I-Curve
A-2	AAA	150.000	5.945	0.52	+80	I-Curve
A-3	AAA	59.741	5.670	1.15	+97	I-Curve
B	AA	109.256	5.678	1.79	+150	I-Curve
C	A	91.218	5.826	2.62	+200	I-Curve
D	BBB	95.982	6.410	3.55	+275	I-Curve
E	BB	62.967	9.955	4.49	+640	I-Curve

College Ave Student Loans LLC, 2023-A

Priced: May 9
Amount: $402.2 million
Collateral: Student loans
Seller: College Ave
Bookrunners: Barclays, Bank of America

Class	S/D	Amount	Yield	WAL	Spread	Benchmark
A-1	AAA	116.080		6.21	+190	SOFR
A-2	AAA	146.680	5.393	6.21	+190	I-Curve
B	AA	60.160	5.894	7.29	+240	I-Curve
C	A	49.430	6.145	7.42	+265	I-Curve
D	A-	13.120	6.999	7.99	+350	I-Curve
E	NR/BBB	16.750	8.648	7.91	+515	I-Curve

World Financial Network Credit Card Master Note Trust, 2023-A

Priced: May 9
Amount: $350 million
Collateral: Credit cards
Seller: Bread Financial
Bookrunners: RBC, BNP Paribas, CIBC, Truist Securities

Class	S/F/D	Amount	Yield	WAL	Spread	Benchmark
A	AAA	350.000	5.079	3.00	+135	I-Curve

GLS Auto Receivables Trust, 2023-2

Priced: May 9
Amount: $311.3 million
Collateral: Auto loans (subprime)
Seller: Global Lending Services
Bookrunners: Deutsche Bank, Wells Fargo

Class	S/K	Amount	Yield	WAL	Spread	Benchmark
A-1	A1+	31.500	5.431	0.16	+33	I-Curve
A-2	AAA	120.540	5.773	0.97	+95	I-Curve
B	AA	46.800	5.592	2.11	+160	I-Curve
C	A	42.860	5.765	2.82	+200	I-Curve
D	BBB-/BBB	44.820	6.402	3.64	+275	I-Curve
E	BB-/BB	24.800	9.564	4.46	+600	I-Curve

Sunnova Helios XI Issuer LLC, 2023-A

Priced: May 9
Amount: $255 million
Collateral: Renewable-energy assets
Seller: Sunnova Energy Corp.
Bookrunner: Atlas SP Partners

Class	F/K	Amount	Yield	WAL	Spread	Benchmark
A	AA-	174.900	6.108	4.03	+250	I-Curve
B	A-	80.100	7.258	4.03	+365	I-Curve

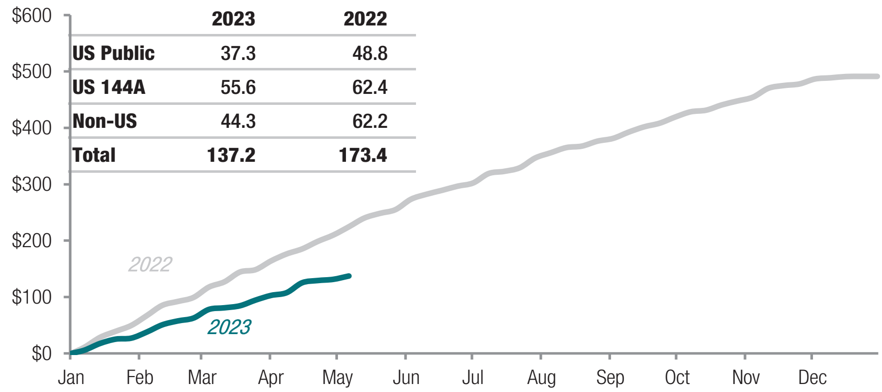
MARKET MONITOR

SUMMARY

- U.S. ABS issuance is about $93 billion year to date, 16% behind last year's pace.
- Non-U.S. ABS issuance is about $44 billion year to date, 29% behind last year's pace.
- Three-year auto-loan ABS spreads are 83 bp over the I-curve, down 37 bp since the 12-month peak in November.
- Mortgage-lending standards have tightened over each of the past 4 quarters.

WORLDWIDE ABS ISSUANCE

Year-to-date volume ($Bil.)

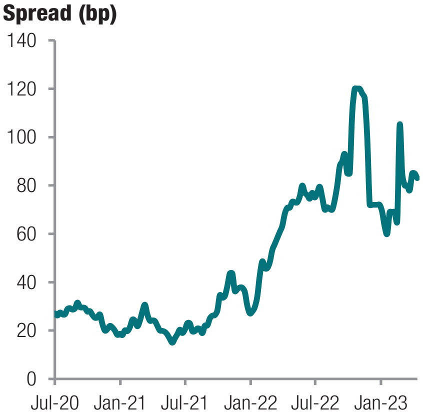


	2023	2022
US Public	37.3	48.8
US 144A	55.6	62.4
Non-US	44.3	62.2
Total	137.2	173.4

Source: Green Street

3-YR AUTO LOAN SPREADS

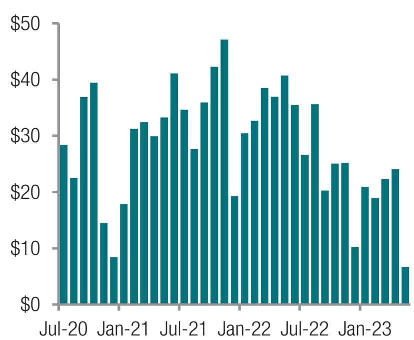
Spread (bp)



Source: Deutsche Bank

US ABS ISSUANCE

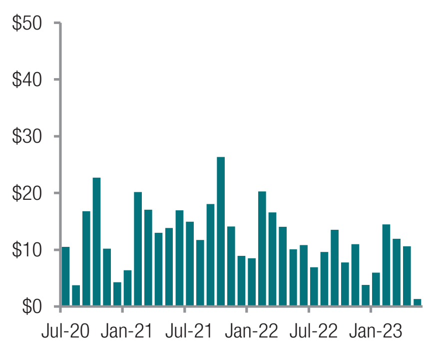
Volume ($Bil.)



Source: Green Street

NON-US ABS ISSUANCE

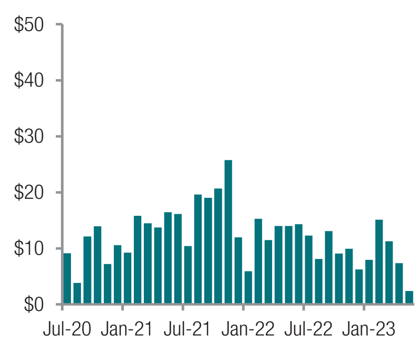
Volume ($Bil.)



Source: Green Street

US CLO ISSUANCE

Volume ($Bil.)



Source: Green Street

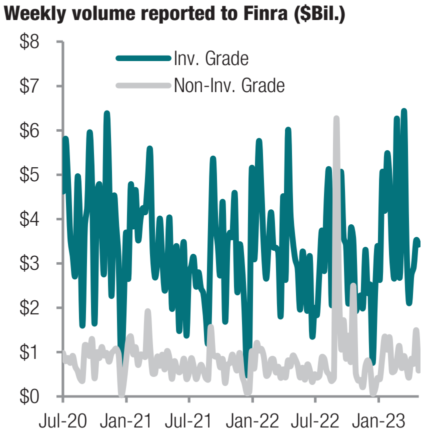
ASSET-BACKED COMMERCIAL PAPER OUTSTANDING

Since 1/2/13 ($Bil.)

Source: Federal Reserve

ABS SECONDARY TRADING

Weekly volume reported to Finra ($Bil.)



Source: Finra

SPREADS ON TRIPLE-A ABS

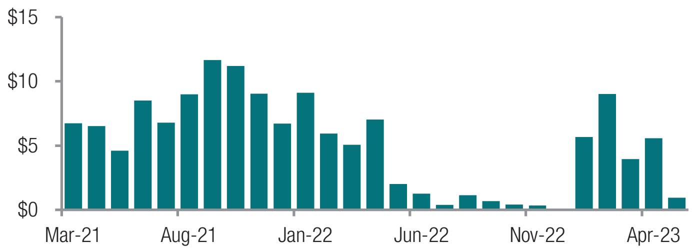
	Avg. Life	Spreads 5/5	Week Earlier	52-wk Avg.
Credit Card	2.0	I+56	I+56	I+53
(Fixed)	3.0	I+65	I+65	I+55
Auto Loan	2.0	I+72	I+73	I+67
(Tranched)	3.0	I+83	I+85	I+82
Non-QM MBS	2.0	I+195	I+195	I+211
(Fixed)				

Source: Deutsche Bank

MARKET MONITOR

US NONAGENCY MBS ISSUANCE

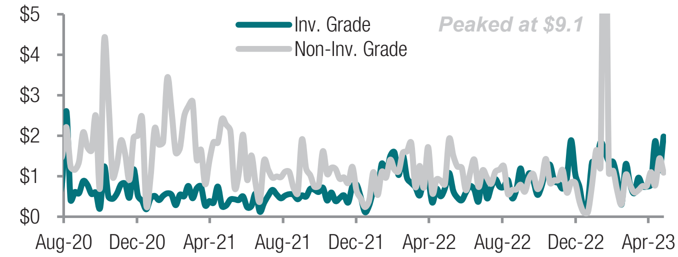
Volume ($Bil.)



Source: Green Street

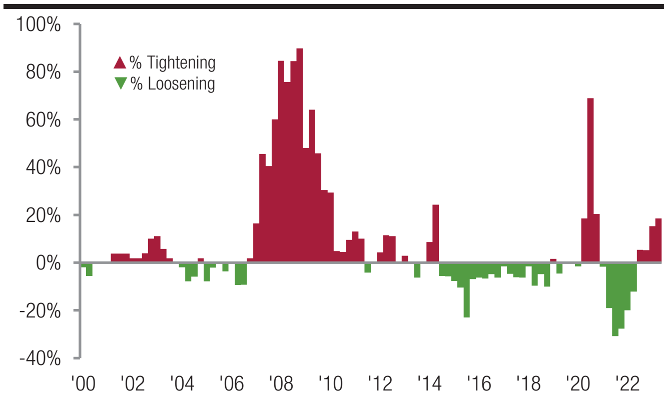
MBS SECONDARY TRADING

Weekly volume reported to Finra ($Bil.)



Source: Finra

LENDING STANDARDS



Source: Federal Reserve

MORTGAGE RATES

30-yr Jumbo National Avg.

Sources: Bankrate.com, Bloomberg

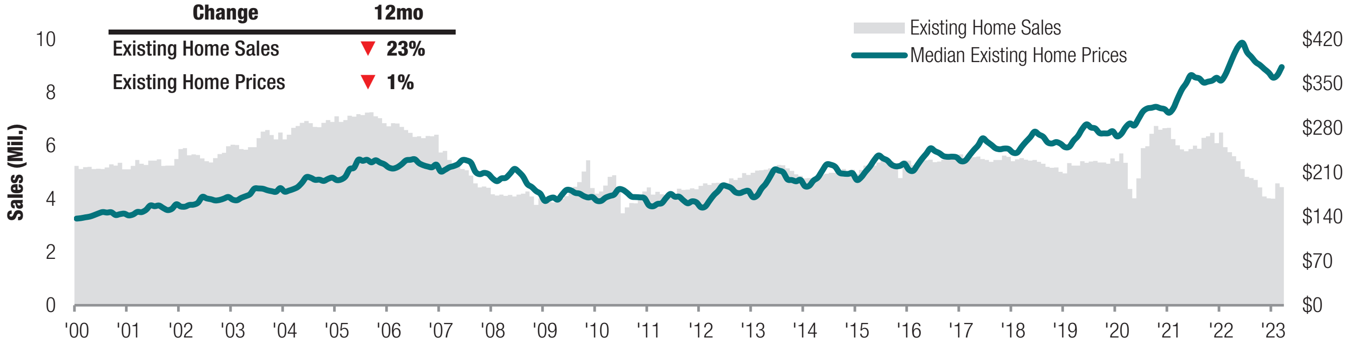
MBS SPREADS

Fixed 2-yr Non-QM

Source: Deutsche Bank

HOME SALES AND PRICES

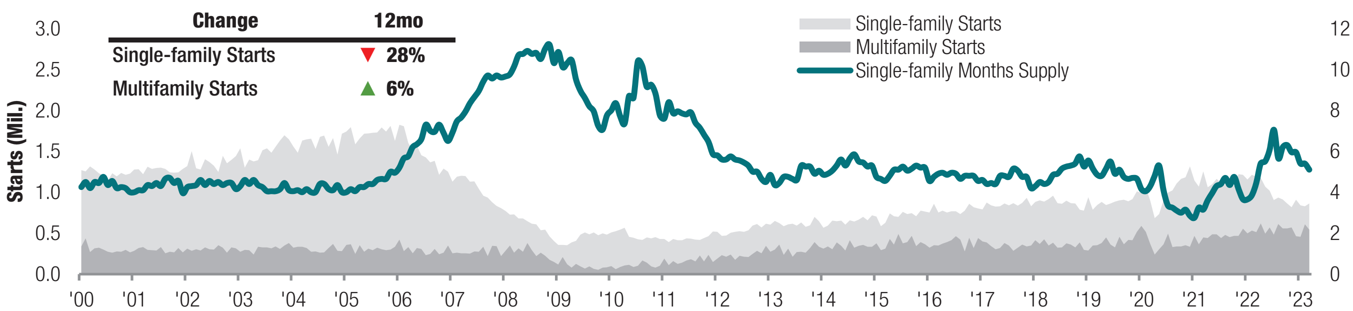
Change	12mo
Existing Home Sales	▼ 23%
Existing Home Prices	▼ 1%



Source: National Association of Realtors

HOUSING STARTS AND MONTHS SUPPLY

Change	12mo
Single-family Starts	▼ 28%
Multifamily Starts	▲ 6%



Source: U.S. Census Bureau

THE GRAPEVINE

... From Page 1

and leadership of all transactional initiatives for those assets. Gultekin arrived at the Malvern, Pa., bank in May as a senior vice president and head of capital markets. He previously was at **Cross River Bank,** with duties including capital markets, illiquid-asset trading and structured finance. Before arriving there in 2020, he worked at financial-technology company **Paxos Trust.**

New York Mortgage Trust's chief operating officer has left. **Nathan Reese's** last day was April 28. He joined the REIT in 2004 and moved through a series of roles including senior securitization analyst before assuming his most recent title in 2018. Earlier, he was at **Vanguard.** New York Mortgage Trust invests mainly in residential and commercial mortgage instruments, and issues home-loan securities.

Veteran structured-product sales specialist **Kevin O'Donnell** joined **Wells Fargo** this week as a director based in Boston. O'Donnell previously worked at **Barclays,** where he spent more than 18 years before getting caught in a round of layoffs late last year. He previously did stints at **Merrill Lynch** and **Fidelity Investments.**

With a new chief financial officer on staff, Irvine, Calif.-based debt-settlement company **Americor** is looking at securitization, presumably to fund consolidation loans. Overseeing the effort is **Barry Rafferty,** who arrived about a month ago from the lead capital-markets post at personal-loan originator **Achieve.** He had joined Achieve, then known as Freedom Financial Network, in 2018 and helped establish the company's securitization program. He headed capital markets at **Upstart Network** and at **OneMain Financial** before that, and spent time at **JPMorgan Chase, Citigroup** and **Ernst & Young.**

Financial-technology company **FundThrough USA** has hired a capital-markets funding specialist with securitization experience. The New York-based recruit, **Deepesh Jain,** started this month as chief financial officer of the Toronto company, which lends to businesses against their customer invoices. Jain has been on the sidelines since leaving a similar role in January at banking-app developer **Lili App.** Before that, he ran the capital markets groups at clean-energy lender **Sunlight Financial** and small-business lender **Kabbage.** Jain also has worked at **Barclays** and **Capital One.**

After a year-and-a-half as a corporate credit analyst at **Standard Chartered** in London, **Joey de Wit** has left to start an agriculture-focused advisory company. The venture, dubbed **Perennial CFO,** offers outsourced chief financial officer services to farmers. Before joining Standard Chartered, de Wit created cash-flow models used in structured-finance ratings at **DBRS Morningstar.**

GoodLeap is seeking a director for its capital-markets team. The candidate would work remotely for the residential solar-power equipment lender. GoodLeap is advertising a salary of $200,000 to $350,000 for the position, which requires at least seven years of capital-markets experience. Since rebranding to GoodLeap from Loanpal in 2021, the Roseville, Calif., company has completed eight loan and lease securitizations totaling $2.5 billion, according to **Asset-Backed Alert's** ABS Database.