Structured Finance and Securitization
2015 Highlights
Intro

In 2015, Hunton & Williams LLP’s structured finance and securitization team was engaged in a number of ground-breaking transactions and provided critical advice regarding numerous practical implications of regulatory developments. We appreciate the many opportunities we had last year to serve both our new and our returning clients, and we look forward to continuing those important business relationships in the years ahead. Below is a summary of factors impacting our clients in 2016, as well as an overview of our team’s activities in recent months.
Forecast for 2016

RMBS
In 2015, we represented issuers and initial purchasers in numerous securitizations of re-performing and/or non-performing residential mortgage assets. We believe this market will have another strong year in 2016 as investors continue to look for transactions that offer attractive yield and shorter duration compared to other ABS sectors.

As the market for non-qualified mortgage loans continues to grow, we expect an uptick in the number of securitizations in 2016 backed by these assets, as these transactions offer more attractive yields to investors versus traditional private label jumbo securitizations.

Despite overall improvements in housing fundamentals and mortgage performance, we anticipate that the private label jumbo RMBS market will remain relatively flat in 2016. We believe that until securitization offers higher yield and better economics for transaction parties and investors alike (which likely will not happen until interest rates rise further), potential private label securitizers will continue to either retain loans on their balance sheets or sell loans to the GSEs. On a brighter note, however, many of the regulatory uncertainties that were seen as hurdles in past years have been overcome as market participants have been able to move from predicting what the regulators will require towards implementing finalized rules.

While we wait for a return of a robust private label jumbo RMBS market, we expect to continue to see a market dominated by GSE-sponsored transactions. In addition, we believe there will be an increase in alternative credit risk-sharing transactions piggy-backing off the GSEs’ successful risk-sharing transactions in the form of structured medium-term notes and other debt, synthetic securitizations, retained recourse funding obligations, reinsurance-based catastrophe bonds or stand-alone derivatives and insurance.

Servicer Advance Financing
Following the release of S&P’s revised ratings methodology for servicer advance facility transactions in October 2014, issuance of rated term notes backed by servicer advance receivables picked up in early 2015 and remained robust throughout the year. Merger and consolidation activity in the servicing industry in the first half of the year led to additional new issuance activity and refinancing of existing facilities. Several first-time issuers entered the market in 2015, adding to the breadth of offerings in the market. While deals backed by servicer advance receivables from private label securitizations continue to comprise the majority of term note issuances, transactions secured by agency advance receivables increased this year, with both unrated and rated deals.

For 2016, we expect that nonbank servicers and MSR investors will continue to access the term note markets as a primary funding source for servicer advances. Activity will include both refinancing of maturing term notes and new issuance to fund portfolio acquisitions. Advance facility lenders will continue to evaluate the impact of regulatory capital requirements with regard to their variable funding note exposures.

Of note, servicer advance facilities will be required to comply with US risk retention rules beginning...
Forecast for 2016 Continued

December 24, 2016. While disclosure and transaction agreements will need to be updated to reference the US rules, we do not anticipate the need for any significant structural changes for traditional master trust facilities to comply with the rules.

Asset-Based Lending/Warehouse Lending
In 2015, we continued to serve as one of the market leaders in representing both buyers and sellers in connection with asset-based lending and warehouse lending transactions. We closed 72 transactions in an aggregate amount of $14.4 billion, which included residential and commercial mortgage loans, REO, RMBS, CMBS and tax liens. We experienced robust activity with agency-eligible collateral as well as jumbo mortgage loans, non-performing assets and REO property. We also have represented parties financing small-balance commercial mortgage loans and short term “fix and flip” collateral. As certain banks exit the residential mortgage space, we expect existing warehouse lenders to gain additional market share and new warehouse lenders to increase the competitive landscape. In connection with our asset-based lending practice, we continue to devote a substantial amount of time counseling our bank clients to ensure that their interests are protected in transactions with counterparties that are employing increasingly complex fund structures.

Servicing Rights Financing
In collaboration with our corporate finance team, we represented lenders (and in one instance, a servicer borrower) on six secured lending facilities collateralized primarily by mortgage servicing rights. Three were bilateral facilities and three were “club” facilities with a small group of lenders. In addition, we represented the underwriters of one term bond issue collateralized by excess servicing spread cash flow. We anticipate more syndicated credit facilities and recourse bonds collateralized by mortgage servicing rights and/or excess servicing spread interests in 2016.
Energy Securitizations
In 2015, our structured finance team was involved in a number of energy-related financings, including securitization transactions, receivables financings and PACE loans involving various types of energy-related assets. Working closely with our renewable energy and clean power team, as well as our real estate, bankruptcy and tax teams, our attorneys structured innovative financing transactions designed to infuse the renewable energy sector with much-needed capital. We see this year as a turning point for the market, as investors and rating agencies become more familiar with renewable energy-related asset classes and as market demand for this asset class broadens.

Marketplace Lending
In 2015, we saw multiple securitizations backed by marketplace loans, as well as a strong increase in originations and sales of marketplace loans. Hedge funds, banks and other participants were very active in acquiring marketplace loans. Some speed bumps materialized in 2015 for marketplace loans, significantly the Madden case in the Second Circuit. Although some participants have responded to the Madden case by not acquiring loans with borrowers in the states of New York, Connecticut or Vermont, we are working with our clients on comprehensive responses to the Second Circuit’s reasoning in the Madden case, and we believe that 2016 will see more creative approaches to the issues raised by it.

For 2016, we anticipate that, notwithstanding the obstacles that arose in 2015, originations of marketplace loans will continue to rise, more securitizations (including rated transactions) will close and the regulators, including the CFPB, will begin making more formal inquiries of marketplace lenders. We continue working with our marketplace lending clients on addressing the issues raised in the Madden case, state licensing matters for clients who purchase marketplace loans, and regulatory inquiries and other issues affecting marketplace lending participants.
Highlights from 2015

We are privileged to represent many leading structured finance and securitization market participants and look forward to expanding those relationships in 2016. Some of our representative transactions for the past year are detailed below:

- We represented the dealers on all the Freddie Mac Structured Agency Credit Risk (STACR®) debt notes transactions since the commencement of the program in 2013, including all eight of the STACR transactions that closed in 2015, with an aggregate amount issued this year totaling more than $6.6 billion.
- We represented issuers or initial purchasers in more than 40 securitizations involving newly-originated, re-performing and/or non-performing residential mortgage assets, as well as multiple securitizations involving small balance commercial loans.
- We represented the initial purchasers in Rule 144A private placements on 25 transactions representing total issuance of more than $18 billion in variable funding notes and term notes backed by servicer advance receivables.
- We represented the underwriters and initial purchasers in connection with the initial Freddie Mac Whole Loan Securities Trust transaction, an offering of approximately $300 million of guaranteed senior and unguaranteed subordinate actual loss securities.
- We represented a large mortgage loan servicer in multiple sales of agency mortgage servicing rights involving mortgage loans with an aggregate unpaid principal balance of more than $90 billion, and have represented other servicers in numerous sales and purchases of mortgage servicing rights.
- We represented buyers and sellers in dozens of whole loan purchase transactions involving performing, nonperforming and reperforming mortgage loans and FHA-insured mortgage loans.
- We represented Onslow Bay Financial LLC and Hatteras Financial Corp. in the issuance of the Onslow Bay Mortgage Loan Trust 2015-1, mortgage pass-through certificates, Series 2015-1. This was a $231 million rated offering of RMBS backed by newly originated jumbo prime hybrid-ARM mortgage loans.
- We acted as program counsel to Ginnie Mae in connection with 117 multiclass securities transactions, representing the issuance of more than $49 billion of government-guaranteed REMIC securities backed by government-insured mortgage loans, including participations in government-insured reverse mortgage loans.
- We acted as tax counsel in each of the Fannie Mae Connecticut Avenue Securities credit risk-sharing transactions.
Thought Leadership

In 2015, our lawyers spoke on panels and were quoted in industry publications regarding a range of topics in the structured finance and securitization industry:

- Hunton & Williams LLP and Digital Risk, LLC, hosted Managing Credit Risk Transfer Symposium
- Eric Burner moderated “Securitization Outlook” panel at ABS Vegas 2015
- Eric Burner was quoted in Inside Mortgage Finance - Online: “LOs Shying Away from Non-QMs Due to Underwriting Requirements”
- Bob Hahn was quoted in Debtwire: “SFR Likely Considered Commercial Under Risk Retention Rules”
- Tom Hiner was a panelist on the “Excess Servicing Rights & Servicing Advances” panel at IMN’s 2nd Annual Residential Mortgage Servicing Rights Conference in New York
- Thomson Reuters quoted Rudene Haynes on new SEC regulations
- Melanie Finkelstein presented “What’s New with TILA/RESPA: Integrated Disclosures, Servicing Transfers and a QM Cure” at the Texas Bankers Association Legal Conference

- Melanie Finkelstein published in Mortgage Banking Magazine: “Ready or Not: Here TRID Comes”
- Leadership Metro Richmond, a regional leadership development and service group, selected Rudene Haynes for its flagship Leadership Quest program
- Melanie Finkelstein published “Madden vs. Midland Funding, LLC”
- Tom Hiner was quoted in Asset Securitization Report and National Mortgage News: “Mortgage Servicers Resume Securitizing Repayment Rights”
- Melanie Finkelstein published “Mortgage Regulatory Update: TRID-Related Changes to Section 404 Notice”
- Melanie Finkelstein published “Investing in MSRs” panel at the 21st Annual ABS East conference in Miami
- Melanie Finkelstein published “Know Before You Owe: TILA RESPA Integrated Disclosure Rule (TRID) and Secondary Market Considerations”
- Brent Lewis and Eric Burner published “Reminder—Compliance Date for RMBS Risk Retention”
Rankings and Awards

Our structured finance lawyers are consistently ranked among the top legal advisers for mortgage-backed securities and asset-backed securities in industry rankings and league tables, including most recently:

- Ranked nationally by Chambers USA for Capital Markets: Securitization, with Kevin Buckley, Tom Hiner and Mike Nedzbala all receiving individual rankings
- Ranked nationally by Legal 500 for Structured Finance, and Steven Becker, Kevin Buckley, Eric Burner, Tom Hiner, Mike Nedzbala and Amy Williams were singled out with client accolades
- Ranked as a Top Underwriter Counsel and Issuer Counsel for US ABS/MBS by Asset-Backed Alert
- Recognized as a “Leading Law Firm in US Securitization Industry” by Asset-Backed Alert
- Vicki Tucker was elected as Secretary of the ABA Business Law Section
- George Howell was elected Chair of the ABA Tax Section
We are delighted to announce the recent promotion of Andrew Blanchard in Richmond and Brent Lewis in New York to partner.

Andrew Blanchard
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Andrew concentrates on structured finance, securitization and corporate finance transactions. During 2015, he represented lenders and underwriters in a variety of servicer advance financing transactions, including term note issuances totaling $3.4 billion. He received undergraduate and law degrees from the University of Richmond.

Brent Lewis
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Brent represents issuers, underwriters, servicers, originators and other market participants in public and private securitizations involving residential and commercial mortgage loans. He has been involved in the Freddie Mac Structured Agency Credit Risk (STACR®) debt notes transactions since the commencement of the program in 2013, including all eight of the STACR transactions that closed in 2015. He received an undergraduate degree from Dickinson College and a law degree from Villanova University.
About Us

Hunton & Williams LLP is a global law firm with more than 800 lawyers practicing from 19 offices across the United States, Europe and Asia. The firm’s global experience extends to myriad legal disciplines, including corporate transactions and securities law, energy and infrastructure, international and government relations, regulatory law, privacy and cybersecurity, labor and employment and commercial litigation.

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