Securitization and Structured Finance
Post Credit Crunch
A Best Practice Deal Lifecycle Guide

Markus Krebsz

WILEY
A John Wiley and Sons, Ltd, Publication
# Contents

<table>
<thead>
<tr>
<th>Preface</th>
<th>xi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgments</td>
<td>xvii</td>
</tr>
</tbody>
</table>

## 1 Introduction

1.1 Setting the scene: About this book  
1.2 Diagrammatical overview of deal lifecycle stages  
1.3 Role-based roadmap to the book  

### PART I THE CREDIT CRISIS AND BEYOND

<table>
<thead>
<tr>
<th>2 Looking back: What went wrong?</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Overview</td>
<td>7</td>
</tr>
<tr>
<td>2.2 Data, disclosure, and standardization</td>
<td>8</td>
</tr>
<tr>
<td>2.3 Paper reports</td>
<td>8</td>
</tr>
<tr>
<td>2.4 Electronic reports</td>
<td>9</td>
</tr>
<tr>
<td>2.5 Data feeds</td>
<td>10</td>
</tr>
<tr>
<td>2.6 Definitions</td>
<td>10</td>
</tr>
<tr>
<td>2.7 Reporting standards</td>
<td>10</td>
</tr>
<tr>
<td>2.8 Underwriting standards</td>
<td>11</td>
</tr>
<tr>
<td>2.9 Due diligence</td>
<td>11</td>
</tr>
<tr>
<td>2.10 Deal motives</td>
<td>13</td>
</tr>
<tr>
<td>2.11 Arbitrage</td>
<td>13</td>
</tr>
<tr>
<td>2.12 Rating shopping</td>
<td>13</td>
</tr>
<tr>
<td>2.13 Overreliance on credit ratings</td>
<td>14</td>
</tr>
<tr>
<td>2.14 Models, assumptions, and black boxes</td>
<td>15</td>
</tr>
<tr>
<td>2.15 Proprietary analysis</td>
<td>16</td>
</tr>
<tr>
<td>2.16 Risk management and risk mitigants</td>
<td>17</td>
</tr>
<tr>
<td>2.17 Senior management awareness</td>
<td>17</td>
</tr>
<tr>
<td>2.18 Lack of drilldown capability and group-wide controls</td>
<td>18</td>
</tr>
<tr>
<td>2.19 Mark to market, mark to model, and pricing of illiquid bonds</td>
<td>19</td>
</tr>
<tr>
<td>2.20 Government salvage schemes: What’s next?</td>
<td>19</td>
</tr>
<tr>
<td>2.21 Re-REMICS: Private vs. public ratings</td>
<td>20</td>
</tr>
<tr>
<td>2.22 Conclusion</td>
<td>20</td>
</tr>
</tbody>
</table>
3 Looking ahead: What has happened since?  21
  3.1 Current initiatives: An overview  21

4 Sound practice principles  23
  4.1 Data  24
  4.2 Definitions  30
  4.3 Standards  32
  4.4 Investor focused  35
  4.5 Motivation and deal drivers  36
  4.6 Analysis  39

PART II DEAL LIFECYCLE  47

5 Strategy and feasibility  49
  5.1 Strategic considerations  49
  5.2 Key signs for securitization  63
  5.3 Deal structure type  63
  5.4 Asset classes  68
  5.5 Private issuance, public issuance, or conduit financing  70
  5.6 Credit enhancement and pricing  70
  5.7 Asset readiness and feasibility studies  75
  5.8 Documentation review  91
  5.9 Target portfolio and deal economics  94
  5.10 Indicative rating agency and financial modeling  97
  5.11 Ratings models  101
  5.12 Rating methodologies  105

6 Pre close  111
  6.1 Typical execution timing  111
  6.2 Execution resources  111
  6.3 Transaction counterparties  114
  6.4 Transaction documents  120
  6.5 Deal configuration  127

7 At close  133
  7.1 Deal documents, marketing, and roadshow  133
  7.2 Pre-sale report  135
  7.3 Deal pricing and close  135
  7.4 New-issuance reports  136

8 Post close  137
  8.1 Servicing and reporting  137
  8.2 Deal performance measurement  144
  8.3 The performance analytics process  145
  8.4 Deal redemption  154

PART III TOOLBOX  155

9 Understanding complex transactions  157
  9.1 Structure diagrams  157
17.3 A global solution 232
17.4 Responding to regulatory requirements 233
17.5 Streamlining workflows with automation tools and data feeds 233
17.6 ABSNet scheduled export 234
17.7 Home price depreciation and the need for better tools 236
17.8 The demand for greater granularity 236
17.9 A brighter future 240

18 Moody's Wall Street Analytics 241
18.1 ABS/MBS investors tools: Structured-Finance Workstation 241
18.2 CDO investors' tools 242
18.3 ABS/MBS issuer tools 243
18.4 CDO tools for asset managers 244
18.5 CDOEdge for structurers 245
18.6 CDOnet Underwriter 246

19 Principia Partners: The Principia Structured Finance Platform 247
19.1 Portfolio management 248
19.2 Risk management: Cash flow and exposure analysis 254
19.3 Operations and administration 262
19.4 Summary 265

20 Trepp 267
20.1 Company history 267
20.2 Product suite 267
20.3 Trepp for CMBS 269
20.4 Trepp derivative 273
20.5 Trepp loan 274
20.6 Powered by Trepp 277
20.7 Recent developments 279
20.8 Trepp's market affiliations 280
20.9 The future 281

21 Author's toolbox 283
21.1 Overview 283
21.2 Ratings tools 283

22 Bloomberg's structured finance tools: Tricks and tips 289
22.1 Structure paydown function (SPA) 289
22.2 Super Yield Table (SYT) 302
22.3 Mortgage Credit Support (MTCS) 323
22.4 Collateral Performance function (CLP) 326
22.5 CMBS Loan Detail screen (LDES) 336
22.6 Delinquency Report (DQRP) 355
22.7 Collateral Composition Graph (CLCG) 358
22.8 Cash Flow Table (CFT) 362
22.9 Class Pay Down (CPD) 377
Contents ix

22.10 Rating changes (RATT) 379
22.11 Mortgage API Excel workbooks (MAPI) 382

23 Websites and other resources 389
23.1 Trade bodies 389
23.2 Free data portals 389
23.3 Vendors 390
23.4 Structured finance periodicals and other useful resources 392
23.5 Rating agencies 395

APPENDIXES

A Glossary 397

B Ratings 405
B.1 Fitch Ratings 405
B.2 Moody’s 408
B.3 Standard and Poor’s 416

C List of abbreviations 431

D Bibliography 433

Index 435