

September Surprise: Surge of Deals

Defying predictions of a September slowdown, asset-backed securities issuers flooded the market with new deals this week — but the surge isn't expected to last.

Since the start of the month, auto lenders, credit-card companies and other issuers have sold more than \$14 billion of bonds — including a whopping \$10 billion this week alone. Among the offerings were a \$1.2 billion securitization of prime-quality auto loans that **Hyundai** sold via underwriters **Barclays**, **HSBC** and **J.P. Morgan**, and a \$1.1 billion auto-lease transaction **Bank of America**, **Citigroup** and **HSBC** placed on behalf of **Nissan**.

"None of our typical ways of thinking about early September have rung true this year," one banker said. "The market is simply on fire."

Only a few weeks ago, industry professionals were forecasting a sharp drop in asset-backed bond issuance following an unusually high volume of new deals in July and August. The thinking was that issuers would head to the sidelines ahead of Information Management Network's "ABS East" conference, held Sept. 18-20 at the Fontainebleau hotel in Miami Beach, and wouldn't likely return in force until October.

So what explains the early-September surge? Bankers said it became apparent to many issuers that the first two weeks of September might be the best opportunity to price deals for a few weeks. That's not only because of next week's conference, during which issuance volume typically drops off, but also because of uncertainty surrounding the Federal Reserve's next meeting on Sept. 20-21.

Indeed, the consensus now is that bond issuance will fall off dramatically next week as industry professionals head to ABS East. Beyond that, much will depend on the Fed's next move. A flurry of deals is expected in October, however, with issuers rushing to market ahead of key implementation dates for the SEC's Regulation AB update and the Dodd-Frank Act's risk-retention rule (see Regulatory Roundup on Page 12).

"It's not going to keep rolling on," one banker said of the new-issue market. ❖

Nelnet Locks In Deal Extensions

Nelnet has lined up the investor votes necessary to extend the lives of nine of its deals.

The process, completed Sept. 13 with help from electronic matchmaker **DealVector**, saw all bondholders approve the adjustment. It affects securities with an initial face value of \$4.6 billion, all backed by loans written under the **U.S. Department of Education's** now-unwinding Federal Family Education Loan Program.

They are: Nelnet Student Loan Trust, 2010-1; 2010-2; 2011-1; 2014-4; 2014-5; 2014-6; 2015-1; 2015-2 and 2015-3. Each received an extension of five years. **Greer McCurley**, an executive director in the Lincoln, Neb., company's capital-markets unit, said the next step will be to seek similar amendments for deals 2012-3, 2014-2 and 2014-3, which totaled \$1.6 billion at issuance.

The vote is expected to set the stage for Nelnet to resume issuing asset-backed bonds, something it hasn't done since May

2015. The company was among a number of issuers forced to the sidelines last year as the introduction of new borrower-relief programs prompted Moody's and Fitch to place more than \$70 billion of outstanding student-loan paper on watch for downgrades while undertaking extensive reviews of their rating processes.

The potential for rating reductions stemmed mostly from the possibility that loan modifications would cause cashflows to arrive later than expected — a problem addressed by extending the lives of the deals. To that end, Nelnet's efforts mirror a similar initiative that Navient has been carrying out since December.

Meanwhile, new-issue volume and secondary-market trading have picked up in recent months as Moody's and Fitch adopted their new criteria. It also helped that the agencies affirmed the ratings of numerous deals, and that the extensions won approval. "Liquidity has returned to the secondary and primary markets," McCurley said, suggesting that the stronger environment could play into Nelnet's issuance plans. "There has been a lot of cash on the sidelines . . . and investor demand for the paper is high."

DealVector allows investors to register their deals anonymously online, enabling issuers to conduct votes electronically and then funnel the results to custodians and trustees. DealVector co-founder Mike Manning said more than \$150 billion of student-loan paper has entered the company's system so far, with Navient bondholders acting first in 2015. "Navient and Nelnet have both done the market a huge favor by proving the viability of this as an option," he said. ❖

Trade Group Forms Charitable Arm

The **Structured Finance Industry Group** is setting up a charitable foundation.

The trade group's board approved a plan on Sept. 6 to create the SFIG Foundation, whose primary mandate will be helping underprivileged youth through scholarships and mentoring programs. To that end, the foundation plans to work with **Mentors Foundation USA** and **Scholarship America**.

The foundation will solicit support from SFIG members both in the form of financial contributions and volunteers for the mentoring program.

"We want to do something impactful, something unique," said **Richard Johns**, executive director of the trade group. "Once the kids get to the point of believing in themselves, we hope to use our member firms to provide internships and, when they graduate with the help of a foundation scholarship, potentially a job with a member organization."

Spearheading the effort is SFIG staffer **Sairah Burki**, who now holds the dual titles of senior director of policy and executive director of the foundation. The trade group also is assembling an executive committee to oversee the foundation. A kickoff fundraiser is scheduled for Jan. 19 at the Plaza Hotel in New York.

The foundation is among several new initiatives for SFIG, which was founded in 2014. For example, it is in the early stages of creating an educational program dubbed SFIG University (see The Grapevine on Page 20). SFIG also is further along in efforts to establish a political action committee that's expected to become active in the first quarter of 2017. ❖