YEAR IN REVIEW
2018

STRUCTURED FINANCE INDUSTRY GROUP • 1776 I STREET, NW, SUITE 501, WASHINGTON, DC 20006 • (202) 524-6300
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Welcome Note from SFIG's Chair and Vice Chair of the Board

As a well-recognized and respected voice for the securitization industry, the Structured Finance Industry Group ("SFIG") provides an inclusive and transparent member-driven platform to encourage engagement in education, consensus building, policy development, and advocacy. SFIG proudly represents and serves approximately 370 institutional members from every aspect of the structured finance community. With a primary objective to build the broadest possible consensus among members on policy, legal, regulatory, and other market standards and practices impacting our industry, our committee and task force structure opens doors, builds bridges and offers members an opportunity to actively participate.

Over the past year, SFIG engaged extensively with membership and policymakers across a wide range of advocacy and policy initiatives. A few highlights include leadership on the eventual transition away from LIBOR and its impact on securitization; advocacy on the judicial front, with the submission of several influential amicus briefs; submission of key revisions to the False Claims Act; and testifying in front of Congress on GSE reform.

Continuing to reflect on a very active 2018, we energized our education and conference programs. SFIG Vegas and SFIG Canada enjoyed record attendance levels, providing members and guests with valuable networking and learning opportunities. Our fall Residential Mortgage Finance Symposium continued to distinguish itself as a premier event for housing executives, as business leaders gathered to share insights in a peer-to-peer setting filled with candid dialogue and rich content.

Taking an early look at 2019, we have a lot to be excited about. Michael Bright joins us as our new President and Chief Executive Officer. We are extremely pleased to welcome Michael into this leadership role, and very optimistic about the possibilities. His strategic vision, combined with the strength of our Operating Committee, positions us well for another terrific year. Working together, we look forward to a very impactful experience for our membership as our senior leadership team effectively executes on SFIG's initiatives and priorities.

SFIG Executive Committee

Chair
Howard Kaplan
Deloitte & Touche LLP

Vice Chair
Chris Abate
Redwood Trust, Inc.

Secretary
Reed Auerbach
Morgan, Lewis & Bockius LLP

Treasurer
Michele Olds
Nationstar Mortgage LLC

Assistant Treasurer
Alberta Knowles
Ernst & Young LLP

Barrett Burns
VantageScore Solutions LLC

Wendy Cohn
Fitch Ratings

Christopher Haas
Bank of America Merrill Lynch

Nancy Mueller Handal
MetLife Investment Management

Welcome Note from SFIG's Chair and Vice Chair of the Board

We have an extremely active calendar. At our upcoming January Board Meeting, we plan to seat many new committee and task force chairs. On January 17, the SFIG Foundation hosts its 3rd annual fundraiser at the Plaza Hotel in New York City, bringing together over 350 securitization industry professionals to enjoy an evening together while raising funds to support scholarships for students in need. The SFIG Foundation has provided over 20 college scholarships since 2017.

In February, we will host 2019 SFIG Vegas, our signature annual industry conference. The largest capital markets event of its kind, we expect to bring together over 7,000 industry professionals to enjoy exceptional networking, critical policy discourse, and educational opportunities as well as an impressive and distinguished list of speakers and panelists. SFIG will also continue to focus on policy development and advocacy, with plans to increase our presence on and off Capitol Hill, using both the Structured Finance Coalition and Structured Finance Political Action Committee to build and strengthen relationships with key members of government, regulatory bodies and other influential parties that can work closely with us to champion issues impacting the structured finance industry. As the 116th Congress begins its work, it is more important than ever to engage frequently and develop and foster key relationships, while delivering a consistent member-focused message.

Finally, we wanted to recognize the significant contributions of our SFIG Operating Committee and staff. Our team is fully committed to providing the utmost value for our membership, and consistently delivers best-in-class service in response to membership needs. We encourage you to remain active and engaged with SFIG in 2019. On behalf of SFIG's Board of Directors, we look forward to continuing to work with you and to a very successful 2019.

Respectfully,

Howard Kaplan, Chair
Chris Abate, Vice Chair

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Welcome Note from SFIG Operating Committee

Dear Colleague,

On behalf of the Structured Finance Industry Group ("SFIG"), it is our pleasure to share our 2018 Year in Review.

SFIG was established with the core mission of supporting a robust and liquid securitization market, recognizing that securitization is an essential source of core funding for the real economy. Over the past year we have worked to educate and advocate on behalf of our members to legislators, regulators, and other constituencies about the securitization industry while building the broadest possible consensus among members on matters affecting the industry.

We are proud of all that we accomplished in 2018 across our policy platforms, conferences and events. SFIG produced 16 publications, including critical comment letters and testimony, held 165 calls, and communicated timely and relevant election information and analysis pre- and post-midterms. SFIG Vegas, SFIG Canada, and the Residential Mortgage Finance Symposium all offered prime content and speakers and were collectively attended by over 9,000 industry participants.

In addition to focusing on SFIG's advocacy, Women in Securitization (WiS), SFIG Foundation, and Structured Finance Coalition (SFC) continue to grow. The WiS initiative held numerous leadership focused events and webinars across the U.S. and Canada for its 1,000+ members. The SFIG Foundation has funded $260,000 in college scholarships to support 21 underserved high school students since 2017. The SFC introduced the "Congressional Insiders Club" which featured political communications, spotlights of Members of Congress, and targeted outreach to its growing class of eligible Structured Finance Political Action Committee (SF PAC) donors.

Looking ahead, we will continue to raise the visibility of SFIG and strengthen its voice through our advocacy and initiatives with internal and external stakeholders. Our diverse membership is our greatest asset, and we hope you will remain engaged with SFIG in representing broad industry viewpoints across all aspects of the regulatory and legislative agenda affecting structured finance. We are proud to represent all sectors of the securitization market and appreciate your continued support.

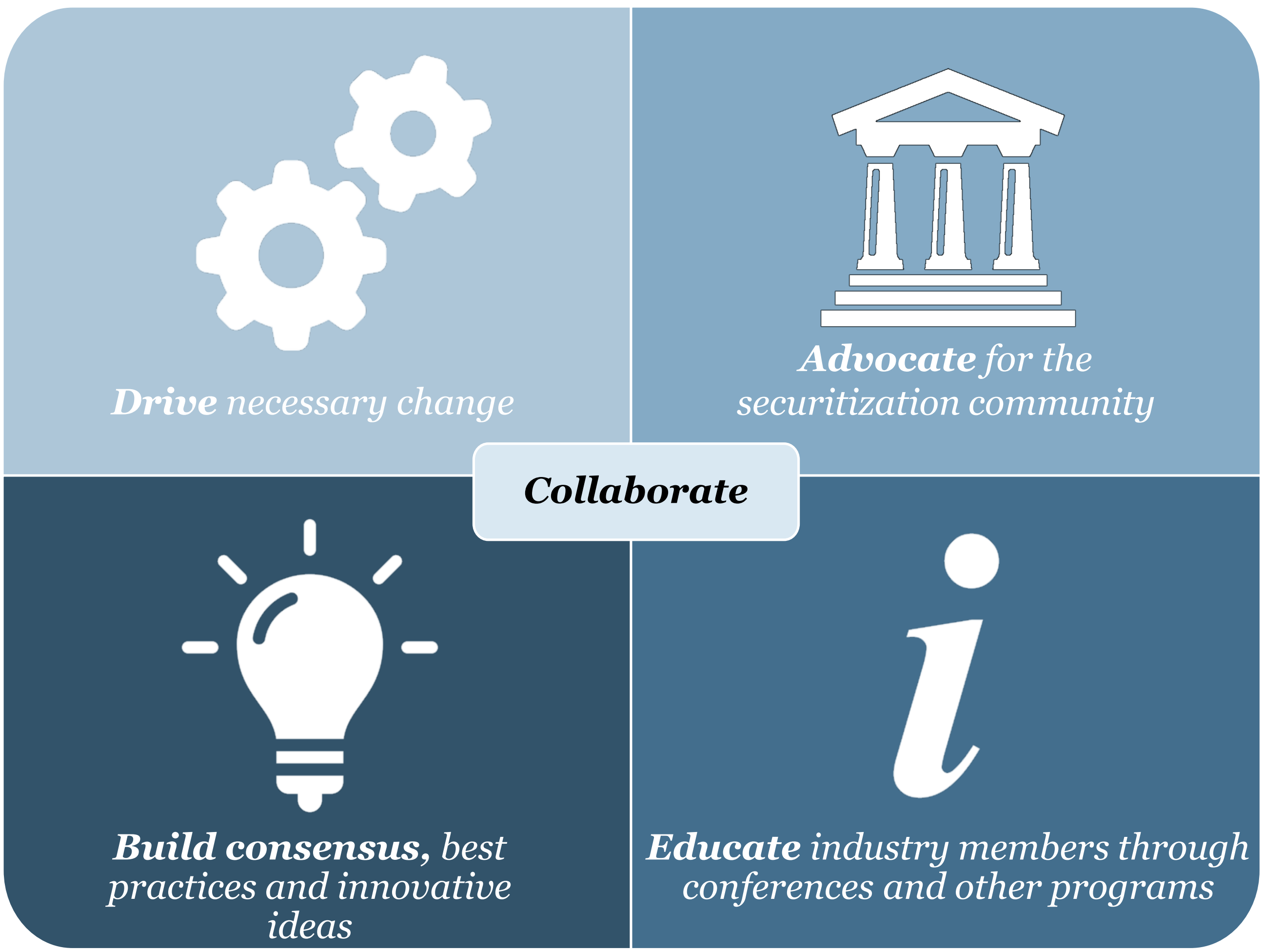
We look forward to working with you in 2019.

Sincerely,

Covell Adams, Chief Operating Officer
Sairah Burki, Head of ABS Policy
Dan Goodwin, Head of RMBS & CMBS Policy
Kristi Leo, Head of Investor Policy
Leslie Sack, Head of Government Relations

About us

SFIG is a member-based, trade industry advocacy group in the heart of Washington DC, focused on improving and strengthening the broader structured finance and securitization market.



Formed in March 2013, our institutional membership totals approximately **370 members**. We work hard on behalf of the entire securitization industry and it shows in our success. Read on to learn more about what we accomplished in 2018.

SFIG Highlights

ASSET BACKED SECURITIES

INFLUENCE

- Appointed as **Co-chair of Securitization Working Group** on Alternative Reference Rate Committee (sponsored by Fed and FRNY), leading development of ARRC Consultation on fallback language in securitizations
- Recommended approach to ISDA on proposed **IBOR replacement rates and calculation methodologies**
- Supported and drafted multiple SFIG amicus briefs in the case of **Lehman v Branch Banking in favor of the contractually agreed "flip-clause"**
- Influenced dismissal of **Taberna case** via SFIG amicus brief
- Prompted key findings in Treasury's **Fintech report**
- Influenced favorable motion, via SFIG amicus brief, in **CFPB v NCSLT case**

ENGAGING WITH POLICY-MAKERS

- Advocated changes to the **Volcker Rule** to Fed, OCC, and SEC
- Supported OCC's **Special Purpose National Bank Charter for fintech firms**
- Requested IRS guidance on **tax withholding for Middle Market CLOs under Section 1446(f)**
- Submitted response to SEC to make **permanent exemption for non-US issuers from 17g-5 Rule**
- Hosted Investor Hill Fly-in to raise concerns with Congress about **CFPB re NCSLT case**
- Submitted comments to the federal banking agencies' proposed revision of **regulatory capital rules and CECL methodology**
- Hosted Investor Fly-in to update OCC, FDIC, SEC, FRB on **risk retention implementation**
- Engaged Congress in support of legislation to preserve **Valid-When-Made**

INDUSTRY STANDARDS

- Published LIBOR Green Paper on SFIG-recommended best practices for **LIBOR replacement in non-legacy deals**
- Published recommended **Disclosure & Reporting** standards for **Marketplace Lending ABS**
- Initiated best practice development for **bondholder communication platform** and **ERISA disclosure**

SFIG Highlights

MORTGAGE BACKED SECURITIES

INFLUENCE

- Engaged with Senate Banking Committee & House Financial Services Committee on **credit risk transfer and capital treatment**
- Continued work with Industry Advisory Group on **development and adoption of UMBS**
- Advised FHFA on **chattel lending under modified Duty to Serve rule**
- Advised CFPB Ombudsman on **RMBS enforcement actions**
- Provided thought leadership to CFPB on **QM Rule and QM Patch, ATR rule, Appendix Q**
- Hosted Congresswoman Maloney as closing **keynote address at Residential Mortgage Finance Symposium**
- Published **10-Year Anniversary of Conservatorship: SFIG Principles for Administrative Reform**
- Published **Comparison of GSE Reform Proposals**
- Influenced favorable ruling, via SFIG amicus brief, in **Blackstone v Sharma MD state case**

ENGAGING WITH POLICY-MAKERS

- Discussions with Senate Banking Committee & House Financial Services Committee on **FHLBs as source of secondary market liquidity**
- Submitted comment letters to FHFA on **Proposed UMBS Rule and Proposed Enterprise Capital Framework**
- Provided key input on bipartisan House bill to significantly modify the penalties imposed on RMBS participants via **FCA/FIRREA**
- Testified multiple times before Congress on **GSE reform**

INDUSTRY STANDARDS

- Published TILA/RESPA due diligence best practices for use in the secondary markets via **TRID Grid**
- Continued development of private label RMBS best practices, convening market participants to recommend market standard definitions for **material and adverse breaches in reps & warrants and dispute resolution of alleged breaches**
- Worked with industry experts to standardize **duplicative TPR testing**, as well as grading for use of **Forms H-8 vs. H-9**

SFIG Highlights

STRUCTURED FINANCE COALITION

- Introduced Congressional Insiders Club offering new benefits and targeted communications
  - Member Spotlights
  - Election Outlooks
  - Election Reviews

- SFC hosted Pre- and Post-election webinars to analyze midterms
- SFC sponsored reception at Residential Mortgage Finance Symposium
- Extensive review of bylaws to streamline SFC and SF PAC governance

STRUCTURED FINANCE POLITICAL ACTION COMMITTEE

50

Unique contributors to allow for max donation to candidate campaigns

$56K

Dollars raised to date

25

Number of new donors

"The SF PAC is a non-partisan tool that helps us educate key decision makers on the issues that are important to SFIG's members. The dollars contributed through the SF PAC will be used to directly support Congressional candidates who share our interests. Every donation to the SF PAC will help us build and strengthen relationships with candidates who can serve as champions for the structured finance industry."

Leslie Sack, SFIG Head of Government Relations

SFIG Highlights

WOMEN IN SECURITIZATION

1,075
Members of WiS

- Held multiple webinars on Whitespace for WiS featuring Juliet Funt and leadership webinars featuring Betsy Myers

- Held leadership events across the US and Canada during WiS week

- Featured author and leadership speaker Linda Kaplan Thaler at WiS year-end event
- Secured leadership expert Shani Magosky as the featured WiS keynote speaker for SFIG Vegas 2019

"We are thrilled to see many of our early Women in Securitization program participants now exceling in leadership roles. Our focus on delivering approachable and relatable content has resonated with our membership; it's delivering the intended results."

Covell Adams, SFIG Chief Operating Officer

SFIG FOUNDATION

- Funding college scholarships for underserved high school students
- Most scholarship funds raised at annual SFIG Foundation Benefit

21
Scholarships provided since 2017

$260K
In scholarships since 2017

SFIG Initiatives

LIBOR: Leading the Way to a Smooth Transition

USD LIBOR is the benchmark rate for approximately $4.7 trillion in business and consumer loans, many of which are the underlying financial assets backing securitization transactions. Furthermore, nearly $2 billion in outstanding securitizations are indexed to LIBOR, most of which do not contemplate a permanent cessation of LIBOR. SFIG is actively engaged with members, market participants outside the securitization industry, and policymakers on the transition away from LIBOR.

SFIG published a First Edition Green Paper on December 18, 2018 which presents a set of industry-proposed recommendations for the transition of newly-issued securitizations away from LIBOR, defining events that would trigger a transition and the potential replacement rates. SFIG also has a leadership role as co-chair of the Federal Reserve Board's and NY Fed's Alternative Reference Rate Committee's ("ARRC") Securitization Working Group. The ARRC SWG's best practice consultative document was published on the NY Fed's website on December [7], 2018 for public comment. Moving forward, SFIG will also focus on ways in which to minimize impact to legacy transactions and provide important education for policymakers and consumers.

SFIG also published a principles-based response to the International Swaps and Derivatives Association's ("ISDA") IBOR consultation on October 22, 2018, with anticipation that we will make a more detailed and technically-robust response to the upcoming ISDA consultation addressing USD LIBOR. Therefore, SFIG's ISDA response letter focuses at a high level on the proposed adjusted risk-free rates (RFRs) and spread adjustments as they would replace various IBORs.

"The public and private sector share the recognition that there is a strong possibility that LIBOR may discontinue, and the associated risks are considerable. That's why these consultations for fallback contract language are a crucial development in creating a more resilient financial regime."

Sandra O'Connor, Chair of the Alternative Reference Rates Committee and JPMorgan Chief Regulatory Affairs Officer

SFIG Initiatives

Marketplace Lending Sector: Supporting Responsible Growth in Securitization

SFIG's advocacy in this area is broad-based, covering topics unique to securitization but also fintech, "valid-when-made" loan-sale issues, and the topic of bank charters. Members and staff met early this year with the officials at the US Department of Treasury to discuss the top policy priorities for SFIG's marketplace lender members in fintech, resulting in certain policy recommendations set forth in Treasury's fourth and final report in their series of Core Principles of Financial Regulation.

In addition, SFIG and its Marketplace Lending Committee published the Marketplace Lending Best Practices Third Edition Green Paper, which sets forth updated recommendations for pool level data and historical static pool performance data, and builds upon the loan-level data and disclosure recommendations in the First and Second Editions published in 2017.

"Many of the policy and regulatory issues facing the marketplace lending industry are broadly applicable to the securitization market. Therefore, SFIG's advocacy on marketplace-related topics--such as the "valid-when-made" doctrine and ABS disclosure practice--are rooted in our mission and focused on fostering a healthy and sustainable securitization market."

Sairah Burki, SFIG Head of ABS Policy

SFIG Initiatives

Judicial Advocacy: Protecting the Securitization Industry

SFIG weighed in as amici curiae in cases that appeared to question or threaten the contractual provisions set forth in securitizations at the time of deal execution.

Dismissal of Involuntary Bankruptcy Petition is a Win

In June of 2017, an involuntary chapter 11 petition was filed against Taberna Preferred Funding IV, Ltd, a collateralized debt obligation, by the holders of the senior priority, class A-1 notes, and a large percentage of the second priority class A-2 notes in conflict with the contractual liquidation procedures of the transaction. In September 2017, SFIG submitted an amicus curiae brief to the U.S. Bankruptcy Court for the Southern District of New York, taking the position that the attempt by the senior note holders to put Taberna in bankruptcy was an abuse of the reorganization process. Furthermore, SFIG argued that to jettison the already agreed liquidation procedures under the Taberna indenture in favor of bankruptcy for the personal and pecuniary aims of select creditors to the detriment of others would significantly harm investor confidence in the non-recourse and bankruptcy-remote nature of securitization vehicles.

In November of 2018, the Court issued an opinion dismissing the case. The dismissal of the involuntary petition is a tremendously important result for the securitization markets and industry at large, reinforcing the fundamental idea that a non-recourse securitization should only be liquidated by the terms set forth in its governing documents.

In the opinion dismissing the Taberna involuntary petition, **the Court cited SFIG's amicus brief, stating that:**

> *"[t]he Court is also convinced that if the Petitioning Creditor's tactics were permitted and rewarded with an entry of an order for relief, this would create significant uncertainty across the capital markets. See Brief for the Structured Finance Industry Group, Inc. as Amicus Curiae Supporting Objecting Parties at 8 [ECF No. 97]."*

SFIG Initiatives

Defending Contractual Rights of Securitization Participants in CFPB v. NCSLT Case

When the Consumer Financial Protection Bureau (CFPB) took the unusual step, in September 2017, of filing a lawsuit directly against 15 securitization trusts, concurrent with the filing a proposed consent order (PCO) negotiated solely with a self-interested party, our members and all other significant parties to the securitization transactions expressed concern that this action by the CFPB overlooks the rights provided to the parties in the governing documents. Furthermore, the PCO penalizes the Trusts' Investors for alleged actions of a third-party service provider and was negotiated without the involvement of any of the other parties to the securitization transactions including the Investors/Noteholders, the Indenture Trustees and Servicers. If the current PCO remains as drafted and receives court approval, the resulting uncertainty faced by market participants could lead to a reduction in the availability of and/or an increase in the cost of credit for the very consumers the regulators are attempting to protect.

SFIG took immediate action to submit an amicus brief centered on the rights and jurisdiction of the CFPB over a securitization trust and the reasonable expectation of market participants in securitizations, particularly given their contractual rights and obligations. Additionally, SFIG arranged an Investor D.C. Fly-In to relay their concerns to Capitol Hill staff and CFPB on our industry's concerns. This multi-pronged approach of addressing the court, legislators, and the CFPB has already shown some impact. Various statements made in a recent court decision granting multiple parties' motion to intervene were sympathetic to the positions argued by SFIG and letters sent by Members of Congress to the CFPB outlined SFIG members' concerns.

"This case, which was filed at a time when Richard Cordray headed the CFPB, has uniformly raised serious concerns across the industry as the Bureau's proposed consent order directly challenges certain sacrosanct contractual right of transaction parties. We strongly support appropriate and transparent servicing standards for consumers; however, we believe it's inappropriate to shift the burden of remedying any alleged third party's misconduct to another party in contradiction with the agreed contractual arrangement."

Kristi Leo
SFIG Head of Investor Policy

SFIG Initiatives

SFIG Argues Bankruptcy Court Should Deny $1 Billion Claw Back in Swap Transactions

In the case of Lehman Brothers Special Financing Inc. v. Bank of America National Association et al, SFIG initially submitted an amicus brief to the U.S. Bankruptcy Court in December 2015 supporting the Noteholder Defendants' motion to dismiss the Lehman Brothers Special Financing complaint (LBSF), in which LBSF argues that certain payment priority provisions are unenforceable and are not protected by the Bankruptcy Code's safe harbor provisions. Specifically, the case considers the treatment of a so-called "flip clause" in a securitization waterfall in the event of a bankruptcy; where a "flip clause" redirects or reprioritizes cash flow upon bankruptcy, and is often included in securitizations that incorporate swaps. SFIG's motivation in filing the amicus brief was to avoid the market uncertainty that would result from a ruling favorable to Lehman. Lehman's case was dismissed, and LBSF appealed that decision of the U.S. Bankruptcy Court to the U.S. District Court in the Southern District of New York (SDNY).

In June 2017, SFIG sought leave to file an amicus brief in that appeal in support of the defendants. In March 2018, New York federal judge affirmed a bankruptcy court's dismissal of Lehman's bid to claw back $1 billion in the transactions. Lehman again appealed that decision to the Second Circuit Court of Appeals. SFIG has now filed a third amicus brief to the US Court of Appeals for the Second Circuit on November 1 2018, again in support of the defendants. The case is important for the securitization market in that a decision favorable to Lehman may call into question the scope of the "safe harbor" provisions of the Bankruptcy Code applicable to swaps and other "protected contracts."

> "At the core of SFIG's mission is to protect securitization as a tool for efficient funding for the economy. Having uncertain or unexpected outcomes reduces market participants' trust in the securitization process and leads to less efficiency in the market. SFIG's legal advocacy is a key strategy in SFIG's mission of protecting the securitization markets."
>
> *Christopher Haas*
> *Managing Director, Bank of America Merrill Lynch*

SFIG Initiatives

Consistent with SFIG's Amicus Brief, Court Rules That Securitization Trust Do Not Need to be Licensed as Debt Collectors to Foreclose upon Real Property

SFIG submitted an amicus brief to the Maryland State Supreme Court for a series of consolidated cases involving the application of the Maryland Collection and Licensing Act (MCALA), which lower courts had previously held would require a securitization trust to be a licensed debt collector in order to foreclose on a property, notwithstanding the fact that the securitization trust engages a servicer that is fully compliant with applicable state registration and licensing requirements.

SFIG's amicus brief details the reasons why the law should not apply to "foreign" (non-Maryland) securitization trusts, the statutory exemptions which should apply, and the potential unintended consequences of the law as applied by the lower courts, especially as it applies to consumer outcomes. **In August of this year, the Court of Appeals of Maryland, the state's highest court, issued a ruling aligned with SFIG's position in the amicus brief that a collection agency license is not required for a trust to proceed with a foreclosure action.**

"Prolonging foreclosures by requiring trusts...to obtain licenses under the MCALA hurts homeowners and aspiring homeowners by driving up the cost of borrowing and by increasing the risk of blight."

-Excerpt from SFIG's amicus brief

"The legislative history, subsequent legislation, and related statutes make clear that the 2007 departmental bill did not expand the scope of MCALA to include mortgage industry players seeking foreclosure actions."

- Excerpt from MD Court of Appeals opinion

SFIG Initiatives

Advancing Bondholder Communication Platforms Demanded by the Securitization Market

Communication with, and among, bondholders has been a perennial issue for the securitization market – whether seeking necessary consent solicitations, extending tender or exchange offers, exercising investor rights that require a requisite number of bondholders or simply providing investors with monthly communications in an efficient, user-friendly manner. This industry concern has only intensified with the potential need to transition Legacy transactions away from LIBOR and recognizing, if necessary, some transactions may require and/or chose to seek investor consent. With the technology available today, market participants have rightfully questioned why a solution has not been developed and adopted by the industry.

Our Investor Committee, in conjunction with our RMBS 3.0 initiative, commenced a review of current bondholder communication frameworks, identified operational, legal, economic and regulatory issues pertaining to those frameworks and drafted a specification document for an improved bondholder communication platform to address those issues. Building off that initial work product and the strong interest across the industry, SFIG recently expanded this initiative across our entire membership base including all asset class issuers, trustees, rating agencies, servicers, analytic and data providers, and legal counsel, aiming to incorporate industry-wide input into the specifications and uniting the broad demand for a solution. This project specification document will serve as the backbone for potential industry service providers to evaluate their ability to develop a platform meeting the industry's needs at a cost point acceptable to the industry.

"Strong governance is a key pillar of a sustainable securitization market, but we can't fully have strong governance without a mechanism for transaction parties to communicate with each other in a timely fashion when the circumstances so require. I'm very optimistic that with SFIG's leadership and the commitment of industry participants we will finally be able to overcome what has been a persistent obstacle to better governance in our industry for many years."

Francisco Paez
Director, Head of ABS & CMBS Credit, MetLife Investment Management

SFIG Initiatives

Advocating for Reclassifying Certain High Quality ABS and RMBS as High-Quality Liquid Assets

SFIG's HQLA Task Force was formed to advocate for more reasonable liquidity treatment for high performing ABS and RMBS since securitizations are given no liquidity treatment under the LCR. In May 2018, SFIG hosted a roundtable for interested issuer members to identify potential criteria for ABS and RMBS to be considered high quality liquid assets (HQLA) under the LCR. SFIG has continued to build on that roundtable, developing potential criteria to socialize across the industry and with regulators and legislators.

"Expanding the U.S. regulatory definition of High Quality Liquid Assets is a key advocacy objective of SFIG's. As currently written, the rule puts an artificial constraint on market demand and overall liquidity for ABS and RMBS, to the detriment of both issuers and investors. With securitization a significant source of credit for U.S. consumers and businesses, increasing liquidity in the market in a responsible manner will benefit these end-users. Changing the rule would also bring the U.S. into conformity with the more flexible approach used in the E.U."

Chris DiAngelo
Partner, Katten Muchin Rosenman LLP

SFIG Initiatives

Collaborating on Industry Guidance surrounding ERISA Rules

If pension plan sponsors, and investment managers who serve as their fiduciaries, use plan assets subject to ERISA to purchase securities, they are first required to identify and evaluate conflicts of interest and to protect the plan and its participants from their consequences as well as avoid purchasing prohibited transactions. Failure to do so is a breach of fiduciary duty for which plan sponsors and investment managers will be liable. These are responsibilities that securitization investors as well as other transaction parties take with the requisite utmost seriousness. Therefore, having a clear understanding of these ERISA rules is paramount to avoid unintended liability while also not unduly limiting suitable investment opportunities for plan participants.

At the request of industry participants, in March 2018, SFIG established an ERISA Task Force with an initial goal of reviewing ERISA provisions as they relate to structured finance and creating a draft list of ERISA issues that our Members believe would benefit from industry discussion and, if deemed necessary, engaging with the Department of Labor for further guidance.

"SFIG has played a critical role in bringing various market participants together under the common goal of clarifying and simplifying various ERISA provisions to ensure that the investment universe for plan participants is not artificially limited. The task force has developed a prioritized list of recommendations that, when implemented, will lead to more efficient and effective portfolio management on behalf of plan participants while maintaining effective controls safeguarding against conflicts of interest as originally envisioned under ERISA."

Gary Horbacz
CFA, Principal, Prudential Fixed Income

SFIG Initiatives

Align Volcker Regulation with Dodd-Frank's Objective of No Securitization Impact

SFIG continues actively to advocate for changes to the Volcker Rule, meeting with key regulators, including the Federal Reserve Board, OCC, and SEC along with submitting public comment letters. Most recently, in October we provided comments to the federal agencies on the rule's reproposal, which included several topics discussed during our regulatory meetings. SFIG's focus is on changes to the rule that will hew to the spirit of the statute, which was *not* intended to impede securitization. In that vein, our letters focuses on three areas that could reinvigorate bank participation in securitization, whether as sponsor, issue or investor by reducing barriers imposed by the Volcker Rule and corresponding compliance costs. These key issues are: 1) the scope of the loan securitization exclusion is too narrowly focused on CLOs, rather than a broader range of ABS; 2) the definition of ownership interests is too broad and includes characteristics of many typical senior loan positions; and 3) the qualified asset-backed commercial paper exclusion is of little utility for the majority of bank sponsored ABCP programs.

"SFIG has done a great job in identifying and engaging with the relevant people at the various agencies that are involved with the Volcker Rule. As a result, we were able to have very productive meetings with the agencies during the Spring about the Volcker Rule. The representatives at the meetings seemed receptive to at least some of SFIG's key concerns, and several related questions were included in the banking agencies' Notice of Proposed Rulemaking regarding potential changes to the Volcker Rule."

Carol Hitselberger
Partner/Co-head of Finance Practice,
Mayer Brown LLP

SFIG Initiatives

Rationalize Treatment of Derivatives in Securitization

Since 2017, U.S. swap providers have been required to collect and post margin when entering into a swap contract with a "financial end user." Under the rules, a majority of securitization SPVs are captured within that definition, and as a result subject to initial and variation margin requirements applicable to all financial end users. As a result of a lengthy advocacy campaign by SFIG and its members, in 2017 the CFTC granted no-action relief, subject to specified conditions, to registered swap dealers regarding compliance with the variation margin requirements when amending or novating swaps in existence prior to March 1, 2017 with issuers that are special purpose vehicles (legacy SPV swaps).

While this relief is significant, in order to minimize the possibility of unnecessary downgrades and resulting market disruption, SFIG members believe that all swaps entered into as securitization SPVs (regardless of or who their regulator is or when the swaps were executed) should be exempted from the daily margin posting and collection requirements. SFIG continues to advocate on this important matter, otherwise, issuers will likely face higher costs that could be passed on to consumers and small business borrowers.

"[SFIG members] believe that all swaps entered into by securitization SPVs (regardless of when) should be exempted from the daily margin posting and collection requirements. Otherwise, issuers will likely face higher costs that could be passed on to consumers and small business borrowers."

-Excerpt from SFIG's White Paper on Regulatory Reform

SFIG Initiatives

Modernizing False Claims Act and FIRREA Legislation and Enforcement

In the aftermath of the Financial Crisis, the Department of Justice's (DOJ) use of the False Claims Act to punish lenders for alleged breaches of representations and warranties has had a chilling effect on lenders and investors, especially in the FHA market. As currently drafted, the statute does not use a materiality standard, uses a flawed calculation to determine damages, relies on sampling to determine liability, and employs a statute of limitations that can extend beyond the maturity of the note itself.

SFIG provided instrumental market and investor feedback, as well as legal expertise, for a bipartisan bill introduced on the House Floor that would provide DOJ guardrails and set appropriate standards for use of False Claims Act/FIRREA in the context of FHA putback claims. Additionally, SFIG has worked with the Department of Housing and Urban Development (HUD) to employ standards around HUD's use of the Defect Taxonomy as it applies to alleged rep and warrant breaches.

"This legislation will increase the stability in the securitization markets and help provide everyday Americans with access to low-cost funding, while ensuring that law enforcement agencies have the appropriate legislative tools to combat waste, fraud, and abuse."

–Excerpt from SFIG's June 2018 letter to Representatives Gottheimer and Zeldin

SFIG Initiatives

Housing Finance Reform: Advocating for Legislative and Administrative Change

With the 10th anniversary of Fannie Mae and Freddie Mac being placed in conservatorship having now passed, SFIG has increased its presence in the conversation surrounding housing finance reform. With a new Congress and FHFA Director, SFIG feels this is a pivotal time in reforming the Government Sponsored Enterprises (GSEs), and will continue to advocate for a government guarantee on MBS, a stable and liquid TBA market, the maintenance of a 30 year fixed rate mortgage and cash window, and other key aspects to a safe and sound secondary market. SFIG intends to maintain an active role in all GSE Reform discussions by testifying before relevant Congressional committees, advising legislative and administrative staff, submitting comment letters, and educating membership on all relevant proposals.

In 2018, SFIG was invited to testify before Congress multiple times on the topic of housing finance reform, most recently in December to discuss Chairman Hensarling's and Rep. Himes' bipartisan discussion draft legislation. Additionally, through conversations with Congressional staffers in both chambers, SFIG has directly influenced a number of policy proposals to benefit secondary market liquidity, including credit risk transfer policy and the conservator capital framework. In addition to extensively interacting with legislators and their respective staff, our advocacy has been supported by numerous comment letters to prudential regulators, engagement with regulators and the administration, written materials, and with leading academics on their quantitative research regarding GSE impingement on private label market share.

"The disproportionately large role of the government in today's housing finance system is the outcome of many factors but it is inarguably in an unhealthy condition. We believe this condition can be remedied, but reforms should be done in a manner which provides for a smooth transition that minimizes market volatility and maintains access to credit."

-Excerpt from Dan Goodwin's Testimony before the House Financial Services Subcommittee on Housing and Insurance

SFIG Initiatives

RMBS 3.0: Establishing Best Practices in the PLS Market

An ongoing SFIG initiative has been the development of market best practices for private label residential mortgage backed securities. Composed of institutional market participants across all industry constituencies, SFIG Members continue to seek to build consensus around some of the most widely contested issues before and after the crisis. RMBS 3.0 has and continues to play a critical role in providing guidance to market participants by standardizing divergent practices in the formation of contractual provisions and compliance with regulations.

Most work developed under this initiative in the past year has focused on representations and warranties, as well as due diligence, data, and disclosure. The representation and warranty working group has worked to establish more specific best practices for defining and enforcing breaches considered "material and adverse to the value of the related mortgage note," while considering better ways to streamline resolution procedures for any disputes that may arise. Our data, due diligence, and disclosure group concurrently recommended eliminating duplicative testing under TRID/RESPA/ECOA, homogenizing the usage of H-8 and H-9 right of rescission, and updating industry data tapes to encompass new product types.

"SFIG has been at the forefront of efforts to create industry best practices under the banner of its RMBS 3.0 initiative, which is an industry-led effort to codify best practices as agreed upon by issuers, investors, and the entire ecosystem of stakeholders in the secondary mortgage market."

-Excerpt from Dan Goodwin's Testimony before the House Financial Services Committee

SFIG Initiatives

TILA-RESPA Integrated Disclosures Compliance: Updates to Market Standards

After the implementation of TILA-RESPA Integrated Disclosure (TRID) Rule, the market faced a period of uncertainty as it grappled with the effects of the new regulation. SFIG's work in publishing its initial Compliance Review Scope in 2016 provided clarity for rating agency and diligence firms tasked with evaluating and applying TRID regulations, quickly becoming the most referenced standard in the secondary markets. That work continues with our most recent 2018 Update to the Compliance Review Scope. This recent version updated features featuring revisions based on BCFP clarifications on Regulation Z, and updates to the so-called "black hole" timing requirements of the Loan Estimate and Closing Disclosure.

"The RMBS 3.0 TRID Compliance Review Scope© documentation, developed under the leadership of members from Third Party Review firms across the industry...was created with an aim to facilitate uniform testing standards resulting from a consistent interpretation of Truth-In-Lending Act liability."

-Excerpt from SFIG's TRID Grid

SFIG Initiatives

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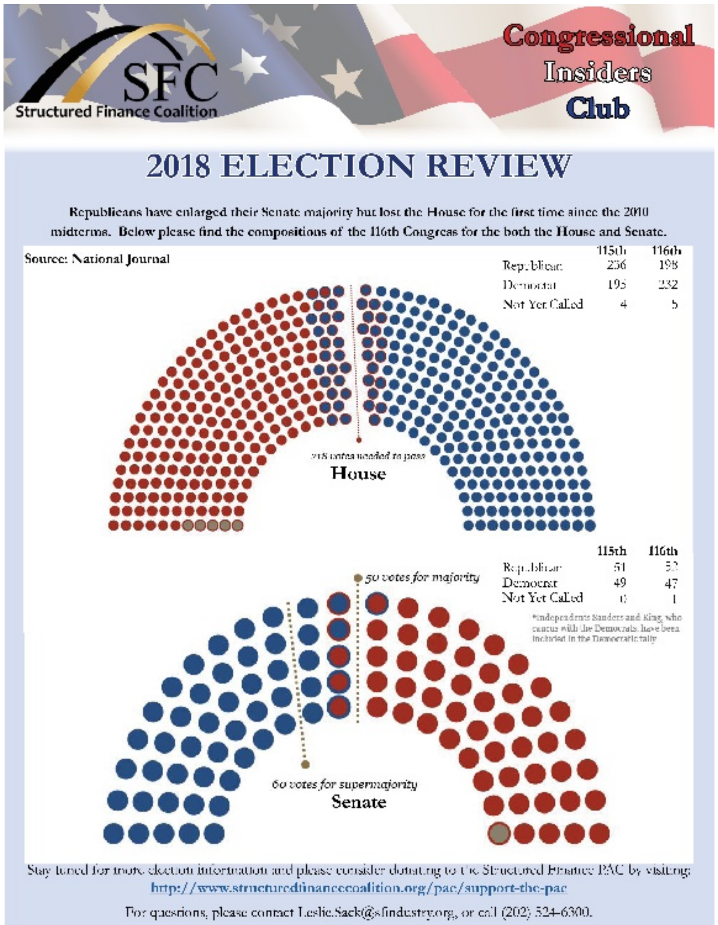
Educating Policymakers on ATR/QM and Other Key Mortgage Regulation Issues

SFIG continues to engage with regulators and legislators to advance our policy agenda. On the regulatory side, we submitted comment letters to the FHFA on the proposed Enterprise capital rule, advocating for a level playing field to grant financial institutions capital relief on equal terms with Fannie Mae and Freddie Mac. SFIG also submitted comments on the proposed Uniform Mortgage Backed Security rule, arguing that any potential benefits from aligning the GSEs would be outweighed in a scenario where the FHFA allows Fannie and Freddie to engage in a "race-to-the-bottom".

SFIG has also been engaged with the Bureau of Consumer Financial Protection, including potential revisions to the Ability to Repay Rule, clarifications in Appendix Q, and planning for a transition on the Qualified Mortgage Patch for the GSEs. We have also engaged with their Ombudsman on issues related to enforcement actions.

"The CFPB's revisions to the ATR/QM Rule should be broad, strategic and seek to remove all unintended consequences due to inconsistencies in the text and a lack of guidance around specific language within the Rule, which will benefit consumers, lenders, and the capital markets alike."

-Excerpt from SFIG's letter to the CFPB Request for Comment on ATR/QM, July 2017



Congressional Insiders Club

2018 ELECTION REVIEW

Republicans have enlarged their Senate majority but lost the House for the first time since the 2010 midterms. Below please find the compositions of the 116th Congress for the both the House and Senate.

Source: National Journal

	115th	116th
Republican	236	198
Democrat	195	232
Not Yet Called	4	5

	115th	116th
Republican	51	52
Democrat	49	47
Not Yet Called	0	1

*Independents Sanders and King, who caucus with the Democrats, have been included in the Democratic tally

Stay tuned for more election information and please consider donating to the Structured Finance PAC by visiting:
http://www.structuredfinancecoalition.org/pac/support-the-pac

For questions, please contact Leslie.Sack@sfindustry.org, or call (202) 524-6300.

Wendy Cohn with Congresswoman Carolyn Maloney

Congressional Insiders Club

MEMBER SPOTLIGHT

U.S. Congressman Josh Gottheimer (D, NJ-5)

Josh Gottheimer represents New Jersey's Fifth Congressional District and was sworn in on January 3, 2017.

In Congress, Josh serves on the House Financial Services Committee where he works on three Subcommittees: the Capital Markets, Securities, and Investments Subcommittee, the Oversight and Investigation Subcommittee, and the Terrorism and Illicit Finance Subcommittee.

In February 2017, Josh was elected Co Chair of the bipartisan Problem Solvers Caucus, where he works to bring the group of 24 Democrats and 24 Republicans together across party lines to find areas of agreement on key issues including lowering taxes, cutting burdensome and unnecessary regulation, lowering health insurance premiums, and improving infrastructure to help the American people.

What role should the Federal government play in housing finance, specifically as it relates to the Government Sponsored Enterprises (Fannie Mae and Freddie Mac)?

A guarantee clearly plays an important role in our housing finance system — helping ensure liquidity, affordability, and accessibility in the loan market. There have been multiple GSE constructs proposed over the years, but I'm most focused on ensuring northern New Jersey has affordable access to mortgage credit in a stable and disciplined marketplace. Where possible, I want to empower our private sector and shed unnecessary risk from the government.

Now that Fannie Mae and Freddie Mac are in their 10th year of Conservatorship, what is Congress' role in determining their future, and how does that interact with the role currently being played by regulatory agencies like the FHFA?

The housing market is nearly 25 percent of our domestic economy and deeply intertwined internationally. And as the housing crisis laid bare, the sector can have tremendous impact from Wall Street to Main Street. The New Jersey housing market is still recovering 10 years later and retains the unfortunate distinction of being a leader in foreclosures. While FHFA and other agencies may play a role in exploring ideas and concepts for the next iteration of housing finance, it's imperative that Congress has a voice in the ultimate outcome. The implications are too large for elected representatives to ignore. Unfortunately, thus far we've been stymied from real and lasting reform by partisan gridlock. We can't keep kicking the can down the road. This is why I'm particularly proud to be a Co Chair of the Problem Solvers Caucus, a group of Democrats and Republicans that work together to try to break the gridlock and get these must pass bills through.

Where do rules, regulations, and regulatory oversight in the housing finance market need to be strengthened? Where should they be pared back or right-sized?

Right now, I'm focused on the housing market's failure to provide accessible and affordable loans. Depository institutions have been under increasing pressure to back out of Federal Housing Administration (FHA) insured loans market. In 2000, banks and credit unions comprised 80 percent of FHA insured loans. Today, that number is down to 20 percent, with non-bank financial companies making up the difference. Without reliable lending off bank deposits, I'm concerned we're going to have a particularly severe affordability and access problem when the credit cycle turns. We need to bring depository institutions back into mortgage lending by providing more certainty on enforcement. It's why I've introduced the bipartisan Fixing Housing Access Act.

Chris DiAngelo with newly-elected Senator Kyrsten Sinema

Structured Finance Coalition (SFC) and Structured Finance Political Action Committee (SF PAC)

The SFC serves as an individual membership organization established to enhance SFIG's advocacy efforts and provide a class of eligible SF PAC donors. The SF PAC was formed to help elect candidates who understand the issues facing the structured finance industry.

The SF PAC can solicit voluntary contributions of up to $5,000 per year from any individual member (including family members) of the SFC, as long as they are a U.S. citizen or permanent resident. The SF PAC is also allowed to accept contributions from other corporate federal PACs.

With the political landscape changing significantly in the 116th Congress, it is critical that the structured finance community has a strong voice to educate potential champions of issues affecting the securitization industry.

The SF PAC will provide SFIG staff and members access to key legislators who can support the following SFIG policy priorities:

- **LIBOR**
- **HQLA**
- **GSE Reform**
- **Mortgage Regulatory Advocacy**

How you can make a difference:

- Join the SFC by visiting: www.structuredfinancecoalition.org
- Personally donate to the SF PAC
- If your organization has a PAC, facilitate a PAC to PAC donation

PAC TIERS

GOLD

($3,000-$5,000 donation)

- Welcome Gift
- GOLD SF PAC Pin
- GOLD Badge Ribbon for SFIG Conferences

SILVER

($500-$2,999 Donation)

- Welcome Gift
- SILVER SF PAC Pin
- SILVER Badge Ribbon for SFIG Conferences

BRONZE

($1-499 Donation)

- Welcome Gift
- BRONZE SF PAC Pin
- BRONZE Badge Ribbon for SFIG Conferences

For more information about SFC or SF PAC, please email coalition@sfindustry.org

SFIG Events

Each year, SFIG hosts the largest capital markets conference in the world, SFIG Vegas, gathering over 7,000 industry professionals at the Aria Resort & Casino in Las Vegas, Nevada. Throughout the year, SFIG hosts several other programs and events, including the Women in Securitization (WiS) initiative, Residential Mortgage Finance Symposium, and SFIG Canada. SFIG also coordinates frequent, issue-specific industry symposia, forums, and roundtables. As a non-profit organization, SFIG is able to offer its members significantly reduced fees for registration and sponsorship support at conferences and events.

6
Events / Conferences hosted by SFIG

7
Cities SFIG events occurred: Houston, Las Vegas, New York, San Francisco, Toronto, Washington, D.C.

350+
Number of event speakers

9,000+
Number of attendees at SFIG 2018 events

Since SFIG's inception, its industry focused events continue to gain traction and participation from structured finance professionals across the U.S. To meet the demand for new, timely, and interesting conference content, SFIG works with experts in the field to develop event agendas that will provide attendees with a memorable and thought-provoking experience. With that, four of SFIG's largest events in 2018 were comprised of the following number of speakers and panels:

SFIG Vegas
Feb. 25-28
- Speakers: 278
- Panels: 73

SFIG Canada
May 16-17
- Speakers: 42
- Panels: 12

Legal Forum
June 27
- Speakers: 33
- Panels: 16

RMBS Symposium
Oct. 29-30
- Speakers: 101
- Panels: 24

For more information about SFIG Events, please email Events@sfindustry.org

WiS

Women in Securitization

An SFIG Initiative

Founded in 2014, SFIG's Women in Securitization (WiS) initiative is designed to provide a means of promoting women within the industry by connecting them to peers, mentors, and sponsors, while showcasing ideas that will positively influence industry perceptions and practices in an environment that encourages women's advancement. WiS also includes the following three channels: Peer Mentoring and Career Sponsorship, Outreach and Industry Engagement, and Education Initiatives and Networking Opportunities.

As part of WiS' commitment to educating and empowering members, SFIG organized the following events:

4 Main Events

- WiS Week
- WiS Year-End Event
- SFIG Vegas WiS Event
- SFIG Canada WiS Luncheon

6 Webinars

- Live webinars focused on building leadership skills in the workplace

9 Modules

- The modules provide tips and guidance on becoming a stronger, thoughtful, and organized leader

For more information about Women in Securitization, please email WiS@sfindustry.org

Helping those in need build a better future

The **SFIG Foundation** provides scholarship funding for high school students who have successfully participated in Mentor Foundation USA's *Career Mentoring* or *Youth Ambassador* programs.

Our Partners

Mentor Foundation USA

Scholarship AMERICA

Established in 2016, the **SFIG Foundation** has provided **$260,000** in college scholarships for underserved high school students.

The funds raised by the SFIG Foundation come entirely from the structured finance industry.

We are grateful for the wonderful generosity of our securitization colleagues.

For more information about SFIG Foundation, please email foundation@sfindustry.org