2019

STRUCTURED FINANCE ASSOCIATION

YEAR IN REVIEW

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A Note from our CEO

2019 was quite a big year for our industry — and all of us at SFA. Among the milestones that stand out:

- We conducted in-depth research to understand how the organization and the securitization industry itself are viewed in Washington, which led to a new name, brand identity and modernized logo.
- We launched a new website designed to be a portal for content-rich pages, and we have continued to update the site in order to be a communications platform useful to our members and informative to audiences that turn to us to learn about our industry.
- We reprioritized our areas of policy focus and created a new research unit, while offering a series of member-driven symposiums on critical and timely topics.
- We earned media hits in major publications.
- And, of course, we executed our industry's largest annual conference to-date in Las Vegas.

MICHAEL BRIGHT
CEO

All of this work was done with purpose. When I started at SFA in January 2019, I found an organization full of talent, determined to find its footing, and bursting at the seams with energy. Staff at all levels helped develop a new vision and strategic plan for getting there, determined to turn SFA into a preeminent trade association in Washington, D.C., capable of bridging the worlds of public policy and structured finance, each and every day.

This past year, we have focused on analyzing the impact our business has on the real economy. Through dozens of media interviews, Hill meetings, testimony and research products, we are finally in a position to effectively showcase our industry's core values as we demonstrate the imperative role structured finance plays in financing all communities in our economy.

But this is just the beginning. We are incredibly excited to continue building a foundation in the years to come, and we have big plans. SFA will be an organization that regularly, and visibly, connects policymakers with market practitioners, helping to fuel an informed discussion around the real and potential impact — both positive and negative — of regulations and legislation. At the same time, we will also help the industry to have a more complete understanding of how elected officials safeguard their constituents' interests by ensuring the safe and sound functioning of our financial markets. More than 10 years after the 2008 financial crisis and Great Recession, we remain cognizant that our industry delivers tremendous value, but also that there is understandable concern about risks in the businesses we finance.

One of our initiatives I am most excited about in 2020 is the comprehensive diversity and inclusion initiative we're set to launch. Our goal is to help the industry diversify its C-Suites and board rooms. We believe strongly that diversity of thought, background and perspective is critical to running an industry well, and we can't do that if we all look and sound like one another. We will also be formally launching our environmental, social and governance vertical as a major part of our policy initiative set.

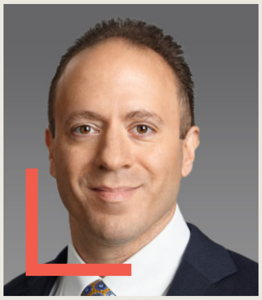
Additionally, we will continue our work to build industry best practices around income verification and ability-to-repay analysis for prospective homeowners; seek to build industry derived solutions for the coming transition away from LIBOR; work with the Securities and Exchange Commission to try to craft a disclosure regime that allows for a safe and functional public private label securities market for residential mortgage-backed securities; and continue working to ensure that credit card loans always remain valid if they were valid when made.

Finally, and critically, we will ensure that we can put all American securitization market dynamics into a global context, keeping an eye on developments around the world that can impact our market or that we can learn from as our industry evolves each and every day.

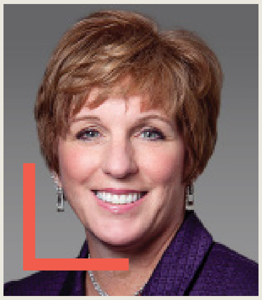
SFA is only beginning its story. Every day, we are committed to helping policymakers fully understand the value and VALUES that we bring. Thank you for being involved. We can't wait for the next few years, and we hope to accomplish our goals side-by-side with all of you.

Best,
Michael Bright

A Note from SFA's Chair and Vice Chair



CHRIS ABATE
CHAIR



PAT SCHULZE
VICE CHAIR

Pat and I are pleased to look back on 2019 as a year for positive change and tangible progress at our organization.

We began the year focused on long-term succession planning that culminated in the hiring of Michael Bright as our Chief Executive Officer in January. Later in the year, we solidified our executive team through the promotion of Kristi Leo to President, and Covell Adams to Chief Operating Officer. Our new leaders have subsequently assembled a deep bench of talent that will position us well for the future. In step with a new era and a renewed vision, we adopted a new brand name, reintroducing ourselves as the Structured Finance Association, or SFA. The launch of the SFA brand coincided with a significantly upgraded website that now serves as a conduit between policymakers, industry participants, and the general public.

While SFA saw major changes, our mission remains the same. We have and will always be committed to proudly representing the growing structured finance community and our more than 370 members. Through Michael and the team's leadership, SFA has hit the ground running and made great progress on our strategic priorities. Most notably, SFA continues to enhance its relevance as a top-flight Washington trade group that effectively conveys how important our industry is to the overall U.S. economy. Whether through testimonies to lawmakers on Capitol Hill, meetings with regulators throughout the Administration, or interviews with the media, SFA is here to demonstrate our members' positive contribution to consumers through increased access to responsible credit products and at a more affordable rate.

Looking ahead to 2020, we expect to reach new heights in the effectiveness of our advocacy in Washington, and our extensive thought-leadership initiatives — including promoting the smooth transition away from LIBOR, shepherding the responsible expansion of private capital in the mortgage market to support a seamless QM Patch expiration, and advancing ESG investing in structured finance, to name a few. We also launched an industry research function and continue to host conferences and symposiums across the country focused on current topics that matter to our industry.

Along with our core policy initiatives, we're pleased to highlight SFA's recently announced diversity and inclusion initiative, which we think can set the standard for all trade groups in the financial services industry. Leading from the front, our Board and executive management have taken significant steps towards incorporating the range of experiences, innovative thinking, and overall inclusiveness that a diverse team brings. Additionally, the success of our Women in Securitization initiative provides a tremendous advantage to our launch of the broader diversity program, as do our conferences, including SFVegas — the largest global capital markets conference by attendance — where we promote and champion the most diverse keynote and industry speaker roster in all of financial services.

With such great momentum, we'll close by acknowledging the great work done by our entire SFA staff. Their commitment to providing knowledge, service, and advocacy is unwavering. We're more confident than ever before in our mission, and we look forward to delivering for our members in 2020.

On behalf of the entire SFA Board, Pat and I appreciate your great support for our industry.

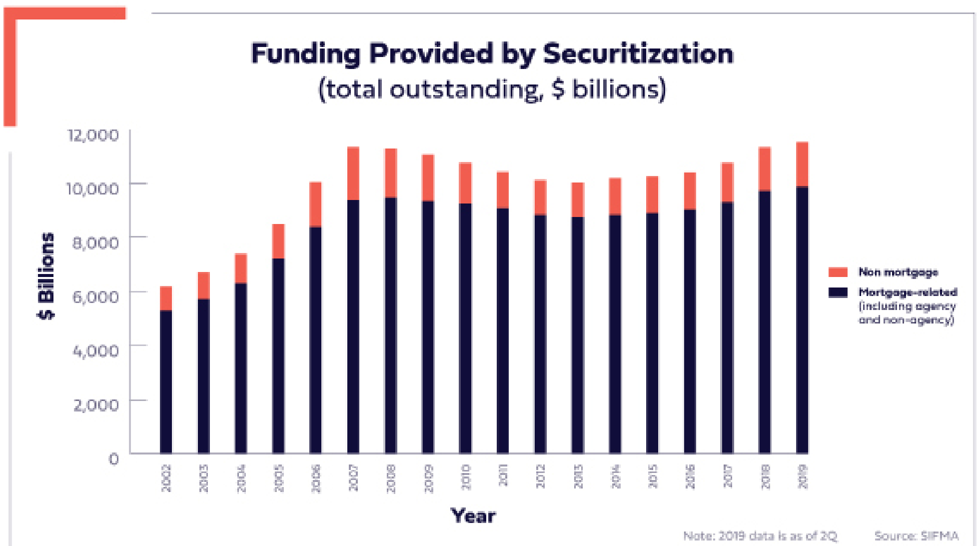
Chris Abate, Chair & Pat Schulze, Vice Chair

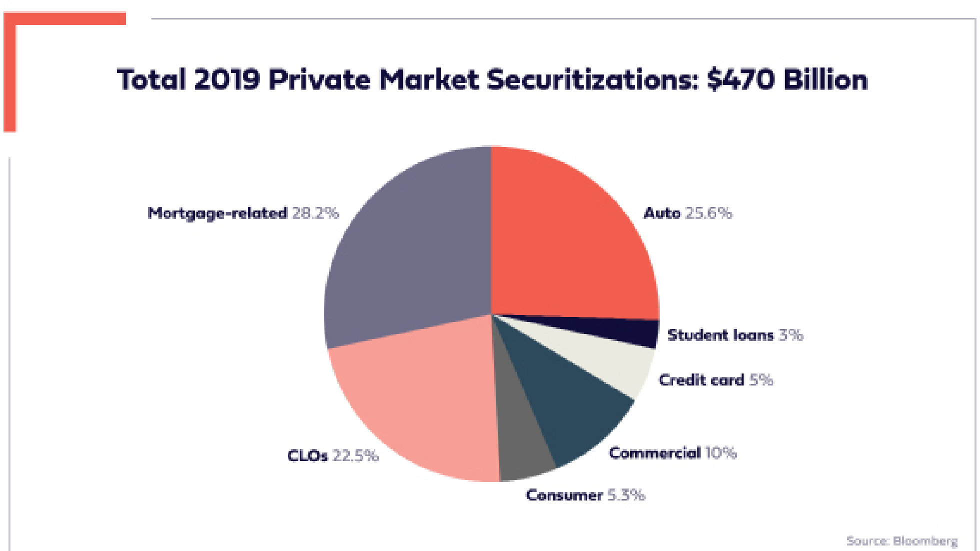
Supporting U.S. Consumers and Businesses

The Economic Impact and Performance of the Securitization Industry, 2019

The American securitization industry funded nearly a half-trillion dollars of consumer, commercial and corporate loans in 2019. Securitization supported Americans' purchases of homes, cars, and consumer products; helped students afford college; and funded business expansion. It played a crucial role in growing the real economy.

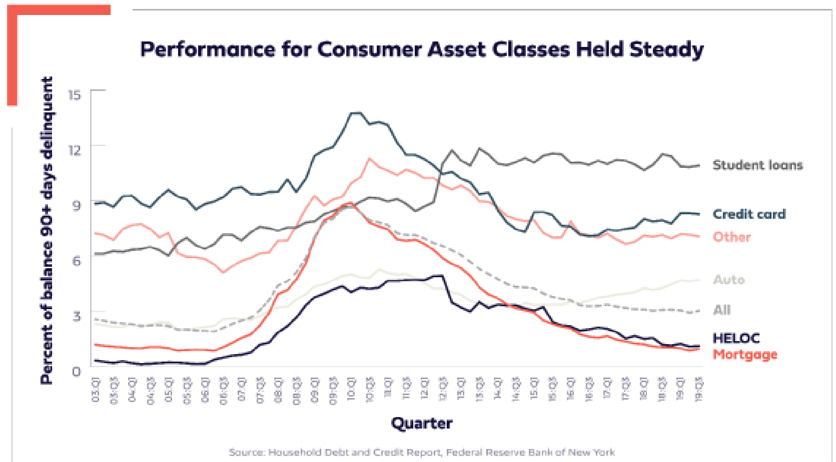
By Q2 2019, securitized finance outstanding stood at $11.5 Trillion, a record.



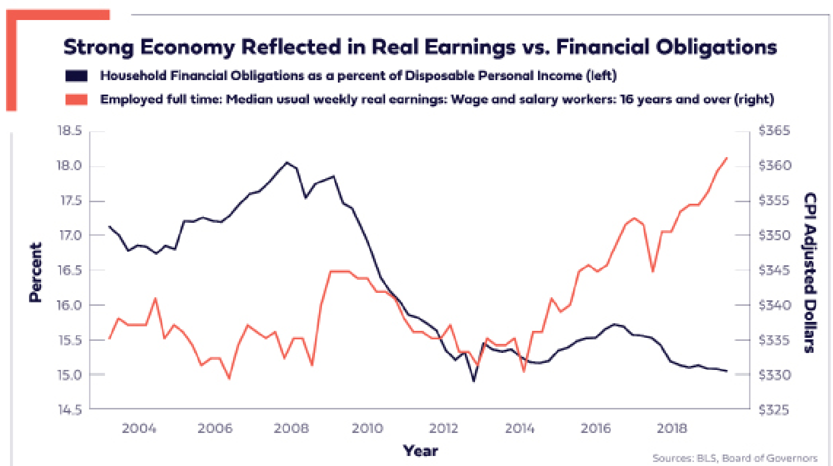


In a sign of both economic health and enhanced risk management, delinquency rates remained well within acceptable historical bounds.

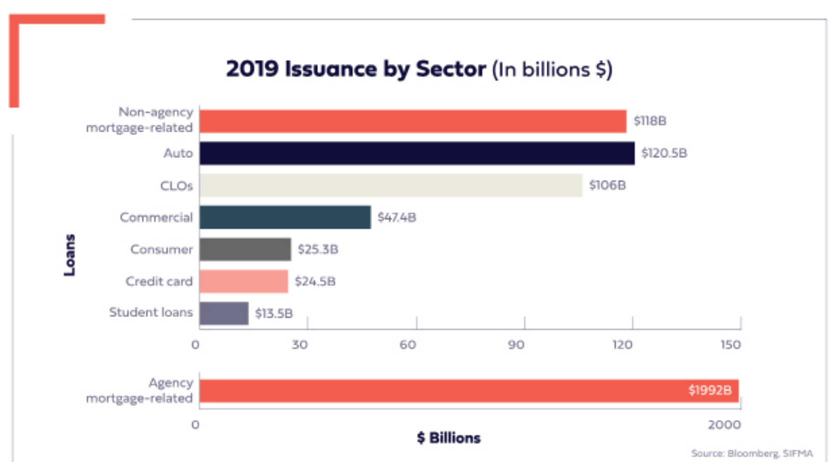
The rise in auto delinquency rates has been driven largely by lower credit borrowers. The delinquency rate of high-quality borrowers, who make up 80% of the $1.2 trillion of auto debt, has held steady below 0.5%. Recent data shows that the median borrower credit score on auto loans increased in 2019 as lenders increased lending to the most creditworthy borrowers.



Strong wages and low interest rates have helped households meet their financial obligations.



The nation's Securitization Industry continues to maintain its healthy, positive performance.



Conclusion

The size of the markets that depend upon securitized financing reflects the critical role securitization plays in expanding the United States economy.

While government-agency mortgage securitization remains, by dollar volume, the largest segment of the market as a whole, private market mortgage securitization reached nearly $120 billion in 2019. The total volume of auto loans securitized was even higher.

As these charts make clear, the large and growing securitization sector drove economic expansion in 2019 and benefitted from both continued growth in real earnings and a decline in levels of consumer financial obligations. The performance of various asset classes continued to be steady.

The economic impact and performance of the Securitization Industry in 2019 were strong.

Key Policy Priorities

At SFA, we consider educating legislators on policy matters essential to the structured finance industry to be of the utmost importance in terms of our responsibilities. To paraphrase from our mission statement, supporting a robust and liquid securitization market is only possible if decisionmakers — whether they're elected officials or agency regulators — recognize that securitization is an essential source of core funding for the real economy.

As a part of that effort, we focused on 10 key industry priorities throughout 2019. We deployed our resources and personnel — ranging from our CEO to legal counsel to our member companies — to not only make the above case to policymakers, but also to better position structured finance in the domestic and international markets.

As outlined below, SFA made progress in these crucial policy areas that benefited our members and the industry as a whole. Here are those 10 areas.

LIBOR Transition: Leading the Charge and Representing the Industry

For two years, SFA has engaged with members, market participants, regulators and policymakers to move LIBOR transition efforts forward. As a member of the Alternative Reference Rate Committee (ARRC) and co-chair of its Securitization Working Group, SFA has been a leading voice and driver of market-wide change to promote a smooth transition in our market.

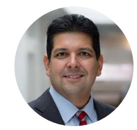
Through our internal LIBOR Task Force, SFA members reached consensus on key issues and tackled complex solutions this year, including establishing best practices for benchmark rate changes across our market. As part of its efforts, the task force published six comment letters, ranging from fallback rate preferences for new and legacy transactions to the evaluation of new proposed reference rate alternatives.

Additionally, at our September symposium, SFA members discussed how to engage Congress, increase stakeholder involvement, and address legacy LIBOR issues to maintain a healthy and stable market. Read our **SFA LIBOR Symposium Key Takeaways**.

In 2020, SFA's work will focus on finding market solutions for legacy transactions and promoting the use of industry developed fallback language.

"SFA has taken a leadership role in our market to facilitate LIBOR transition by bringing industry participants together to identify key issues and develop solutions."

BOB BEHAL
PRINCIPAL
VANGUARD GROUP



"Wells Fargo is actively participating with the SFA working groups supporting LIBOR transition for securitizations. The challenges for LIBOR transition in securitizations are highly complex and all market participants should be engaging now to seek a smooth transition path for all stakeholders.""

SUSAN HUGHES
SVP, LIBOR TRANSITION OFFICE
WELLS FARGO

D.C. Engagement

As market participants and regulators worked to determine the appropriate solution to the problems associated with the transition away from LIBOR, SFA regularly met with Congress and senior staff from the Senate Banking and House Financial Services committees to inform them of the many challenges and very real risks of a disruptive transition. SFA is especially appreciative of two letters sent by House Committee on Financial Services Ranking Member Patrick McHenry (R, NC-10) to Vice Chairman of the Federal Reserve Randal Quarles. Our dialogue and engagement also led to a significant increase in discussions and questioning from financial regulators on legacy LIBOR contracts and the adoption of the secured overnight financing rate (SOFR), the Fed's preferred replacement rate, at committee hearings, which we believe can help ensure that the cessation of LIBOR does not lead to unnecessary market volatility or consumer confusion and frustration. Much work remains to be done in 2020, but a solid foundation of engagement was established in 2019, and not a minute too soon given the magnitude of this rapidly approaching market change.

Advocating for the **Valid-When-Made Doctrine**

SFA has been a driving force on valid-when-made doctrine, effectively advocating with policymakers and lawmakers on the importance of this bedrock principle for securitization. The doctrine provides that a loan, if valid at the time of inception, cannot be deemed invalid or its terms determined unenforceable due to its transfer, sale or assignment to another person. This principle has provided certainty to lenders and other market participants who lend to U.S. consumers and businesses or supply credit via the acquisition or subsequent financing of loans. However, the doctrine has been called into question by the U.S. Court of Appeals for the Second Circuit's decision in the case of Madden v. Midland Funding.

Following SFA's work with the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) to address this issue, these regulators issued proposed rulemakings to codify the valid-when-made doctrine and provide the market with much-needed certainty and clarity.

Read our responses to the FDIC and OCC **here** and **here**.

"The valid-when-made doctrine is of crucial importance for banks' ability to engage in consumer lending across all financial products. If banks cannot fund lending activity by securitizing or selling assets to non-bank market participants, it will have a material impact on the availability of credit, especially for borrowers at the lower end of the credit spectrum."

ERIC WIEDELMAN
MANAGING DIRECTOR
JP MORGAN

D.C. Engagement

As companies were engaged in a multiyear court battle in the Madden v. Midland Funding decision, SFA determined that, given the implications of the court decisions, regulatory guidance from the Federal Depository Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) needed to be at the top of our agenda. SFA organized a July congressional fly-in (in which we brought members from across the country to D.C. to meet with Capitol Hill offices), holding meetings to educate members of Congress and their staff, as well as the OCC and FDIC regarding the market implications of misinterpreting the valid-when-made doctrine. In November, both the FDIC and the OCC issued their own Notices of Proposed Rulemaking that clarified and codified both regulators' interest rate authorities. SFA believes that these decisions can allow the consumer ABS market to continue to function in its important role of serving real consumers. SFA is also committed to working with regulators and community advocacy groups to root out predatory practices that circumvent the intent of the law and the intent of these decisions.

ESG Investing
in Structured Finance

This year, SFA launched an effort to assess how environmental, social and governance (ESG) investing and reporting can be applied and accessed in the securitization market. As part of this effort, we held our inaugural SFA ESG Symposium, a daylong roundtable focused on applying ESG principles in our market. We are encouraged by the robust dialogue among the broad range of market participants at our symposium and look forward to developing work streams through which participants can develop best practices that will add value to the entire industry for ESG investing applications.

We're continuing this work in 2020. In February, SFA began hosting ESG Task Force calls for our members to begin implementing the ideas that emerged at the symposium.

Read our SFA ESG Symposium Key Takeaways

"ESG issues that have financial implications are increasingly part of business decisions, and investors who embrace these changes will be the industry leaders of the future. SFA is helping to define these issues and create the right frameworks that will make ESG data more transparent for investors."

LIBBY BERNICK
HEAD OF SUSTAINABILITY
DBRS MORNINGSTAR

Supporting Private Capital Expansion in RMBS via **Ability to Repay/Qualified Mortgage Rules**

SFA led the way in convening both primary and secondary market participants — ranging from originators to issuers to investors — on changes to the Ability to Repay/Qualified Mortgage (ATR/QM) Rules and the expiration of the government-sponsored entities' (GSEs') QM patch.

In June, we held a one-day symposium that brought leading voices in the industry together to discuss implications of the QM patch. Following shortly thereafter we surveyed our membership, which was published in September, and helped inform SFA's response to the Consumer Financial Protection Bureau (CFPB) on their advance notice of proposed rulemaking (ANPR) for the ATR/QM rules. After submitting comments, SFA held a members-only roundtable in November to discuss industry solutions and the role SFA can play in creating a vibrant, functioning market where private capital can take on a larger role in our nation's housing finance system.

D.C. Engagement

Much like in previous years, both chambers of Congress worked towards developing ambitious congressional plans for comprehensive housing finance reform. While a final plan is yet to be settled on, SFA continued to educate members and staff about various considerations related to the industry, including the upcoming QM patch expiration and its impact on both important borrower safeguards and mortgage credit availability in underserved communities. SFA CEO Michael Bright also testified at a March 27 Senate Banking Committee hearing on Chairman Mike Crapo's (R-ID) Housing Reform Outline. He also hosted a "Housing Finance 101" briefing in May for bipartisan Capitol Hill staff from the House and Senate.

- **Recap of June QM Symposium**
- **Member Survey on ATR/QM**
- **SFA Response to CFPB on ATR/QM**
- **Recap of SFA QM Members-only roundtable**

"The QM Patch, which gives Fannie and Freddie preferential treatment in setting underwriting requirements for Qualified Mortgages, is scheduled to expire in 2021. We have worked with SFA to convene SFA members along with housing advocates, policymakers and regulators to find approaches that will increase the participation of private capital lending in the segments of borrowers that have been served by the patch while retaining or expanding access to capital for responsible homeownership."

ANDREW DAVIDSON
PRESIDENT
ANDREW DAVIDSON & CO.

"SFA's ability to connect primary market lenders with capital markets investors has served as an invaluable resource in addressing the CFPB's recently announced approach the ATR/QM and GSE patch solution. Their leadership on this issue elevates the voice of the investor industry to help ensure loans are well-underwritten and made in a way that responsibly expands access to homeownership for all credit-worthy consumers."

CHRISSI JOHNSON
VICE PRESIDENT OF FEDERAL POLICY AND EXTERNAL AFFAIRS
QUICKEN LOANS

Building Uniform **TILA-RESPA Compliance** Review Scope

As the market faced uncertainty and grappled with the effects of the new regulation following the implementation of the Truth in Lending Act-Real Estate Settlement Procedures Act (TILA-RESPA) Integrated Disclosure (TRID) Rule in 2016, SFA's initial TRID Compliance Review Scope report provided clarity for rating agency and diligence firms. SFA published its third version of the TRID Compliance Review Scope in December; the report has become an essential resource for agencies tasked with evaluating and applying TRID regulations.

The current version's primary consideration is the elimination, or modification, of testing areas that may carry assignee liability, but where the probability of actual losses is minimal. The secondary consideration is the elimination of testing origination compliance on aspects that do not carry assignee liability or impair the asset. SFA's updates include a few amendments based on the secondary consideration that go beyond TRID to remove the testing/exceptions not considered to carry assignee liability or impair the asset. These changes further the pursuit of a uniform scope required for third party review firms performing compliance reviews on loans that will be securitized, and reduces the testing performed during a compliance review on loans to be included in a rated securitization.

Read Our TRID Compliance Review Scope 3.0 (December 2019)

"The new guidance in SFA's TRID Compliance Review Scope particularly helpful as the industry has at times struggled with large volumes of minor TRID compliance exceptions that are unlikely to impact RMBS investors. Fitch believes that the application of the TRID Grid 3.0 will meaningfully reduce the number of minor compliance exceptions in RMBS pools; this refined approach should help the industry to concentrate its analysis and operational focus on the more significant TRID issues."

AMIT ARORA
DIRECTOR

ROELOF SLUMP
MANAGING DIRECTOR
FITCH RATINGS

"We believe that the TRID Grid 3.0 is a positive step toward further clarifying the risks to investors and achieving industry-wide expectations of compliance."

SUZANNE GARWOOD
ASSISTANT GENERAL COUNSEL AND EXECUTIVE DIRECTOR
JPMORGAN CHASE

Supporting Expansion of Credit via **Credit Risk Transfer** to Private Issuers

On February 18th, SFA published a primer on various Credit Risk Transfers (CRT) structures. The memo provides a high-level view of some of the structures that exist in the market today, the benefits of these different structures, and how CRT can be a means of providing additional private capital. It also describes some of the regulatory hurdles facing CRT, and what would need to be done to address those obstacles and provide clarity and certainty around the regulatory capital benefits of such transactions. The overview provides a framework by which SFA will engage on advocacy and education efforts going forward, including roadmaps for policymakers, regulators and legislators. These resources will help address and resolve issues in the CRT space so that private capital can meet the needs of borrowers in our nation's housing finance system.

Read our CRT Overview Memo

"We have seen great interest in Credit Risk Transfer (CRT) transactions among US banks, credit intermediaries, and investors alike. Such transactions are important not only as a source of private capital in the mortgage market, but these structures may also be applied to other portfolios of bank assets, fueling growth in other sectors as well. By providing a central source of information and education, SFA is doing a great service to its members that is consistent with its mission."

CAROL HITSELBERGER
PARTNER
MAYER BROWN

Protecting **Structured Finance in the Courts**

In instances where a court case questions or threatens the foundational principles, longstanding practices, and expectations of participants of structured finance market, SFA weighs in as amici curiae in order to protect and promote a healthy and functioning market. Here are the cases we participated in last year:

New York State Credit Card Securitization Cases

Following the Second Circuit's decision in Madden v. Midland Funding, plaintiffs filed two lawsuits in the Eastern District of New York against Capital One and Chase. Plaintiffs in both cases allege that the two banks violated New York state laws by setting an interest rate over New York's current cap at 16% and seek to recoup the interest payments in excess of that rate and cap rates going forward.

In response, SFA took immediate action and filed joint amici briefs in partnership with the Bank Policy Institute. The brief warned that a ruling in favor of the plaintiffs would lead to banks being subjected to burdensome state-by-state regulations, ultimately impacting the cost and availability of credit for U.S. consumers and businesses. SFA's actions in these cases support our broader advocacy on valid-when-made, the idea that interest rates should remain valid if they were valid at the time the loan was originated.

"One important way that SFA represents the industry is through judicial advocacy, which is especially important now because a number of recent cases have the potential to adversely impact the securitization markets."

CHRISTOPHER HAAS
MANAGING DIRECTOR
BANK OF AMERICA

Powell v. Ocwen Financial Corporation

The plaintiffs in this case are attempting to challenge a deal sponsor's debt characterization of residential mortgage-backed securities (RMBS) investment grade securities. If successful, this could result in the securitization vehicle being considered plan assets under the Employee Retirement Income Security Act (ERISA). The plaintiffs also argue that the court should hold that a loan servicer and the master servicer of a securitization trust be, for the first time, considered ERISA fiduciaries. This case highlights the importance of the longstanding fundamental market assumption regarding "plan asset" analysis, in which securitization transaction parties are fiduciaries under ERISA, and its impact on the securitization market. SFA has been preparing to file an amicus brief in early 2020 in support of the defendants. **Read our Powell v. Owcen overview.**

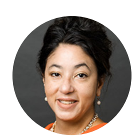
CFPB v. National Collegiate Student Loan Trusts

In September 2017, the CFPB filed a lawsuit against 15 securitization trusts that would abrogate the National Collegiate Student Loan Trusts' governing documents and seeks to penalize the trusts' investors for alleged actions of a third party. At the heart of our concerns is the rule of law as it applies to negotiated contracts — a bedrock tenet to the stability of financial markets. The CFPB's proposed consent order effectively rewrites contractual provisions that parties agreed to and penalizes the underlying investors, who are not accused of any wrongdoing, for the alleged actions of the third-party services. Moreover, the CFPB's proposed consent order was negotiated without the involvement of any of the transaction parties who have interest, rights and obligations that would be modified by that order. SFA took immediate action to submit an amicus brief centered on the rights and jurisdiction of the CFPB over a securitization trust.

- **Read our CFPB v. National Collegiate Student Loan Trusts overview**

"SFA's careful and targeted approach to judicial advocacy has been critical in ensuring that courts which are interpreting and applying laws and regulations affecting the structured finance industry have the best information and thought leadership available to consider while making decisions. In the National Collegiate Student Loan Trusts situation, SFA's amicus curiae brief underscored that market participants in securitizations rely on the stability of law to anticipate their liabilities and risk, and the unprecedented interruption of previously negotiated transactions could create instability and confusion that would harm the credit markets."

ELLEN V. HOLLOMAN
PARTNER
CADWALADER, WICKERSHAM & TAFT, LLP



D.C. Engagement

SFA educated members of Congress and staff on the matter of the Consumer Financial Protection Bureau (CFPB) v. National Collegiate Student Loan Trusts (NCSLT) and the potential long-term implications on the securitization market.

SFA's perspective was well understood, and letters from bipartisan Senators and Members of the House helped to raise more awareness of these challenges. The most recent such letter was led by Rep. Bill Posey (R, FL-8) and signed by Reps. Ted Budd (R, NC-13), Tom Emmer (R, MN-6), Peter King (R, NY-2) and Roger Williams (R, TX-25).

Assessing the **Impact of EU Securitization Regulations** in the U.S.

Recent European securitization regulations, collectively developed and implemented by four separate EU bodies, came into effect at the start of 2019 and consolidated a patchwork of existing securitization laws. This action imposed due diligence, transparency and risk retention requirements on a broader scope of institutional investors. For example, investors must now monitor asset performance and compliance by the originator, sponsor or original lender of the securitization, demonstrating to regulators that they have a comprehensive understanding of their securitization investments.

SFA formed a task force following the release of these regulations to provide market participants a forum to discuss how the industry is interpreting and implementing the regulations. We have engaged with European policymakers to seek clarity on various issues, including whether EU investors purchasing U.S. asset-back securities (ABS) need to ensure the same level of transparency and diligence as they do for European deals.

"SFA has led the industry's response to the European regulators, clarifying the impact new European securitization regulations have on U.S. asset-backed securities and advocating on their behalf."

RICHARD PUGH
DIRECTOR
BANK OF AMERICA

Opening Formal Dialogues with **Chinese Regulators**

SFA has been engaged with government officials, trade associations and employees of our member firms operating in China. We recently opened a formal dialogue with the People's Bank of China (PBOC) and China Banking and Insurance Regulatory Commission (CBIRC) on how to ensure a safe and sound securitization market.

Following our CEO Michael Bright's meetings with regulators in Beijing, SFA responded to the PBOC's and CBIRC's follow-up questions on a variety of securitization-related questions.

"SFA's China Market Development Task Force has served as a bridge between participants in the U.S. and Chinese structured finance markets. Task force members visited China to share our experiences and latest market updates with key players. We also stay informed of what is happening in China, understand their interests, listen to their questions. This helps us draw comparisons between market byproducts and identify areas to improve upon and opportunities to develop compared with international standards."

JIAN HU
MANAGING DIRECTOR
MOODY'S INVESTORS SERVICE

Supporting Streamlined **ERISA Disclosure and Compliance** Regime

Because many of our institutional investor members act as investment managers for pension plans subject to ERISA, SFA has formed a task force to seek clarity on issues related to the act and legal cases that impact our market.

ERISA Disclosure Standardization: In 2019 our ERISA task force began developing a standardized "best practice" sample set of prospectus disclosures for ERISA considerations. This will help streamline the review of offering documents when investors are considering a purchase of securities. Investors have highlighted that investment opportunities have been missed due to the time and resources that are required to make an assessment as to the ERISA eligibility of a particular tranche. SFA has begun this work for commercial mortgage-backed security (CMBS) transactions and anticipates finalizing those guidelines in the first quarter of 2020.

"SFA's ERISA Task Force is working to find solutions — some regulatory, some market-based — on issues that will have a positive impact on money managers' ability to make investment decisions in structured finance. Additional clarity on ERISA-eligibility of securities will be a welcome value-add for our sector."

GARY HORBACZ
PRINCIPAL
PGIM

"Improving consistency in disclosure surrounding eligibility for pension plans to purchase individual bonds in the structured finance market will reduce the chance America's thousands of pension plans and millions of underlying retirement accounts will unduly miss the opportunity to purchase otherwise fitting investments."

KRISTI LEO
PRESIDENT
SFA

DOL Request on Conflict of Interest: This fall, SFA met with representatives of the Employee Benefits Security Administration (EBSA) of the Department of Labor (DOL) to seek clarification on certain conflicts of interest rules. Retirement and pension plans subject to ERISA are significant participants in structured finance markets, and many transactions are structured with plan participation in mind. However, some plans may be precluded from purchasing securities in certain circumstances where a service provider to an issuer is affiliated with a plan sponsor or the investment manager seeking to acquire securities.

SFA has requested an advisory opinion from DOL to confirm that the acquisition of securities by a plan or entity subject to ERISA. Under certain circumstances this would not constitute a nonexempt violation when an affiliate of a plan sponsor or of the relevant investment manager is acting as a servicer in the transaction. SFA expects to finalize this request for guidance in the first half of 2020.

Championing Diversity

WOMEN IN SECURITIZATION

The Structured Finance Association, and the industry as a whole, has furthered its commitment to promoting diversity in its workforce as a whole and in leadership positions.

SFA formalized this mission in 2014 with its Women in Securitization (WiS) initiative to create an environment in the securitization community that encourages women's advancement through the talent pipeline along with providing a network to connect with peers, mentors, and thought leaders. Since then, the energy and passion of our WiS members has created an impressive network of successful individuals who are dedicated to providing a platform for women in our industry to share successes, help others learn from their own missteps and support one another.

In 2019, we furthered this initiative through a series of events. We kicked off the year with our February SFVegas 2019, featuring

"By ensuring that women are represented and included at every level, we're establishing a standard — and others are following suit. You don't want to be the firm that's not stepping up, and the result is women are becoming more visible in this industry."

WENDY COHN
MANAGING DIRECTOR
FITCH RATINGS

"SFA's Women in Securitization initiative is facilitating important change in our industry. It's on all of us to get involved — and stay involved — so we can go back to our respective organizations and take steps towards a more diverse and inclusive workplace."

COVELL ADAMS
CHIEF OPERATING OFFICER
SFA

keynote speaker Arianna Huffington, as well as a skill-building seminar with leadership expert Shani Magosky. Later in the year, for our WiS Spring Event, CNBC's Michelle Caruso-Cabrera moderated a panel of executive women within our industry to share and reflect on their experiences. In the second half of the year, throughout WiS Week in August, we featured curated content by author, economist, and executive coach Caroline Webb across 11 cities (including three first-time host cities) throughout the U.S., Canada, and the United Kingdom over the course of 13 events.

Though changes in the industry are already noticeable, there is still much to be done to continue to achieve diversity and inclusion. WiS is open to everyone in our industry — regardless of job function, level, SFA membership status or gender.

The success of the WiS initiative has also inspired us to use WiS as a blueprint to broaden our mandate to a more sweeping diversity initiative, with the ultimate goal of bringing greater diversity of thought and perspective to our industry. We will be formally launching this new initiative in February at our SFVegas 2020 conference, which features a more diverse spectrum of speakers than ever offered. From there, we will work with our Executive Committee and membership to develop programs that promote inclusive access to our industry through education, opportunity, and engagement.

More Than **2,500 attendees** of WiS events since inception

29 financial supporters of WiS:

- **100%** of WiS programming is made possible through the support of our WiS sponsors
- **Over 1,000** SFA members actively suporting the initiative

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

Welcoming Research

In November, SFA welcomed its new Head of Research, Elen Callahan. Formerly of Deutsche Bank, where she served in a number of senior roles since 2003, she most recently was the company's COO/Associate Director of Global FIC Research. During that time, she collaborated with SFA as a U.S. delegate to its inaugural Beijing ABS Conference and in her involvement in its Women in Securitization Steering Committee and Emerging Leaders Program (ELP). In her capacity as Head of Research, she will work with SFA leadership to develop and implement a research strategy plan to further the mission and goals of the organization.

"I'm thrilled to join the Structured Finance Association team and look forward to the opportunity to work closely with SFA leadership to help launch and grow the new research group."

ELEN CALLAHAN
HEAD OF RESEARCH
SFA

"We are confident that Elen's deep structured finance and credit knowledge, proven leadership and extensive industry network will be invaluable to establishing and growing this very important new value proposition for our membership."

KRISTI LEO
PRESIDENT
SFA

Summary of SFA Key Accomplishments

ASSET- AND MORTGAGE-BACKED SECURITIES

INFLUENCE

In 2019, SFA expanded its influence with its members, as well on various regulatory bodies and the legal system on behalf of our industry. We hosted an inaugural symposium focused on Environmental, Social and Governance (ESG) to foster crucial dialogue for investors, issuers and other key market participants. Resources, such as published surveys, reports and key takeaways, also aided and directed the industry on how to approach specific topics. We emerged as a leading voice and driver of market-wide changes that have led to rule changes, such as upholding valid-when-made policy, the principle in which interest rates should remain valid and the same as at the time the loan was originated. SFA also filed multiple joint amici briefs, along with the Bank Policy Institute, to highlight the potential impact of legal decisions on availability of credit for U.S. consumers and businesses.

ENGAGING WITH POLICYMAKERS

Because structured finance is a crucial part of the American economy, SFA must play a role in policymaking and regulatory decisions to best serve our membership and their consumer and business customers. Last year, our CEO and other members of our team testified before Congress and conducted countless meetings and briefings with members of relevant committees, such as Senate Banking and House Financial Services. We also advocated on behalf of our industry in conversations with various federal agencies, offices and departments. Internationally, SFA opened formal dialogue with leading financial institutions in China and led industry efforts to clarify the impact of new European Union securitization regulations.

INDUSTRY STANDARDS

In its role as the structured finance industry's leading voice, SFA created standards for its members, based on recent changes in the field. We developed best practices documents (such as for disclosures for Employee Retirement Income Security Act, or ERISA, considerations) and updated TILA-RESPA Compliance review scopes. We also published six LIBOR-related comment letters.

STRUCTURED
FINANCE
COALITION

STRUCTURED FINANCE COALITION (SFC)

- Congressional Insiders Club continues to offer exclusive benefits and targeted communications to SFC members.
  - Monthly Member Spotlights: 2 Senators and 10 Representatives.
  - Legislative Outlooks.
  - New landing page of SFA website.
- SFC hosted member-only lunch at SFVegas 2019 featuring Bob Woodward as keynote speaker.
- SFC approved SF PAC spending guiding principles and budget for 2019-2020 election cycle.
- Updated SFC branding and increased visibility at SFA events.
- 550+ current SFA members; increase of 274% from 2018.

PAC
Structured Finance

STRUCTURED FINANCE POLITICAL ACTION COMMITTEE (SF PAC)

- Doubled fundraising in 2019, over 2017 and 2018 combined.
- 7 events hosted or co-hosted by SF PAC.
- 30+ PAC events attended by SFA staff.

WOMEN IN
SECURITIZATION

WOMEN IN SECURITIZATION

SFA promotes the advancement of women within the structured finance industry through its Women in Securitization (WiS) initiative. Last year, WiS brought speakers such as Arianna Huffington and leadership expert Shani Magosky to SFVegas 2019, along with 13 other WiS events across 11 cities in the U.S., Canada and the United Kingdom that featured panels and curated content. We also launched a WiS LinkedIn group to be a space where women in the industry can share articles, start conversations, ask questions, solicit advice and network.

STRUCTURED
FINANCE
FOUNDATION

STRUCTURED FINANCE FOUNDATION

Since 2016, 29 underserved students have received nearly $500,000 in college scholarships through the Structured Finance Foundation. Much of that funding has been raised at the annual Structured Finance Foundation Benefit.

D.C. Engagement Ramps Up

CONGRESSMAN DAVID SCOTT (D, GA-13) PROVIDES GUIDANCE ON NAVIGATING THE LIBOR TRANSITION POLICY ENVIRONMENT AT SFA'S LIBOR SYMPOSIUM ON SEPTEMBER 11, 2019

SFA'S CEO MICHAEL BRIGHT TESTIFIES BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS REGARDING HOUSING FINANCE REFORM ON MARCH 27, 2019

"America's greatest contribution to the economic wellbeing of its own citizens, and of much of the rest of the world, has been the development of efficient, diverse capital markets. They have been the very engine that drives economic growth, innovation and prosperity."

REP. FRENCH HILL
R, AR-2

STRUCTURED FINANCE COALITION

Congressional Insiders Club

MEMBER SPOTLIGHT

Sen. Kyrsten Sinema (D, AZ)

Senator Kyrsten Sinema is currently serving her first term in the United States Senate as the senior Senator from Arizona. Previously she served as the U.S. Representative from Arizona's 9th congressional district from 2013-2019.

Before coming to Congress, Senator Sinema served in the Arizona State Senate starting in 2010, and was first elected to the Arizona House of Representatives in 2004. From 1995-2002 she worked as a social worker in the Phoenix metropolitan area's Washington Elementary School District. In 2004, she became a criminal defense lawyer, while teaching master's level policy and grant writing classes as an adjunct professor at Arizona State University School of Social Work and an adjunct business law professor at Arizona Summit Law School.

In Congress, Sen. Sinema serves on the Banking, Housing & Urban Affairs Committee and three Subcommittees: Securities, Insurance, and Investment National Security and International Trade and Finance; Securities, Insurance, and Investment; and, Economic Policy. Her other full Committee assignments include: Homeland Security & Governmental Affairs; Commerce, Science, & Transportation; Veterans' Affairs; and, the Special Committee on Aging.

"We need to find a balance that protects the U.S. financial system and investors, while also lifting unnecessary regulations that make it harder for families and small businesses to succeed."

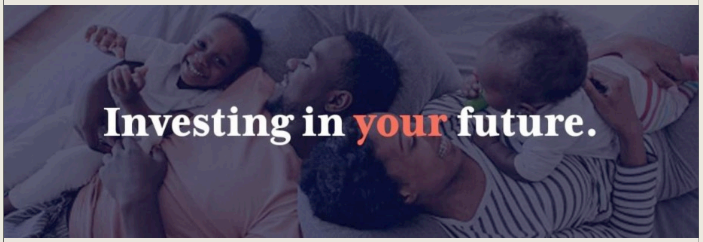
SEN. KYRSTEN SINEMA
D-AZ

"Every donation to the SF PAC helps us build and strengthen relationships with bipartisan candidates who can help the structured finance industry better engage with policymakers and better serve the real economy."

LESLIE SACK
HEAD OF GOVERNMENT RELATIONS
SFA

Structured Finance Political Action Committee (SF PAC) – Investing in your future.

Structured Finance PAC



Investing in SF PAC helps promote a better understanding of how structured finance increases the flow of global capital into the U.S. economy and provides credit access to families, individuals and businesses.

SF PAC provides SFA staff and members access to key legislators who can support SFA's policy priorities:

LIBOR | Housing Finance | Valid-When-Made | Structured Finance in the Courts

The SF PAC is a voluntary, non-partisan organization overseen by the Structured Finance Association. It is the only PAC focused exclusively on representing the interests of the structured finance industry in Washington. SF PAC provides members with a platform to collectively support candidates for Congress who understand and can champion issues affecting our industry.

How you can make a difference:

Join the SFC by visiting: www.structuredfinancecoalition.org

- Personally donate to SF PAC
- If your organization has a PAC, facilitate a donation to SF PAC

2019 was a critical year for SF PAC as we began to formally engage with groups representing various aspects of consumer and business lending as well as bipartisan policymakers across the political spectrum. Our PAC hosted and co-hosted several fundraising events, and PAC donations doubled when compared to 2017 and 2018 contributions combined. The SF PAC's growth in receipts and activity helps advance SFA's engagement work as it allows member companies to help inform key decision makers on the economic and financial stability implications of their debates and actions. Specifically:

- Investing in SF PAC helps promote a better understanding of how structured finance increases the flow of global capital into the U.S. economy and provides credit access to families, individuals and businesses.
- SF PAC provides SFA staff and members access to key legislators who can support SFA's policy priorities.
- SF PAC provides SFA staff an opportunity to host, cohost, and attend industry events alongside its members and other likeminded DC trade associations and organizations

How you can make a difference:

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

SF PAC Tiers

Gold

$3,000-$5,000

Gold PAC Pin

Gold PAC Gift

Silver

$500-$2,999

Silver PAC Pin

Silver PAC GIFT

Bronze

$1-$499

Bronze PAC Pin

Bronze PAC Gift

For questions about SFC or SF PAC, please email **coalition@structuredfinance.org**

The SF PAC is a voluntary, nonpartisan organization overseen by SFA. It is the only PAC focused exclusively on representing the interests of the structured finance industry in Washington. SF PAC provides members with a platform to collectively support bipartisan candidates for Congress who care about issues affecting our industry and its role in the real economy.

In 2019, SFA's Government Relations and Policy staff worked diligently to position ourselves as the premier structured finance and securitization trade association. To that end, SFA made meaningful inroads in cultivating a significant, educational, two-way dialogue with Congress and regulators.

Bringing Together the Industry

SFA's flagship conference, SFVegas, is the largest capital markets conference in the world, with more than 8,000 industry professionals, regulators and legislators convening. Highlights from the 2019 SFVegas agenda included keynote addresses by former Sen. Dean Heller (R-NV), Arianna Huffington, Michael Lewis, Bob Woodward, and Janet Yellen.

In 2019, SFA also held a series of regional and issue-specific symposiums and roundtables to provide a forum for our members to connect, share and brainstorm what they view as opportunities and challenges facing our industry. SFA works closely with its members to develop event agendas that are educational and beneficial for both the structured finance industry and policymakers. As a nonprofit organization, SFA can offer its members significantly reduced registration and sponsorship fees for all SFA events.

16
conferences, events, and symposiums hosted in 2019

12 cities
2019 SFA events occurred

515
event speakers

11,900+
attendees at 2019 events

SFA Vegas: Feb. 24 – 27

454 SPEAKERS
67 PANELS

SFA Canada: May 22– 23

294 SPEAKERS

10 PANELS

One-Day Symposiums
LIBOR Transition/ ESG Investing/QM/ATR Mortgage Rules / Legal Forum

113 SPEAKERS
38 PANELS

Residential Mortgage Finance Symposium: Nov. 4-5

67 SPEAKERS
17 PANELS

Supporting our Next Generation

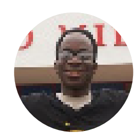
The Structured Finance Foundation provides scholarships for high school students who have successfully participated in Mentor Foundation USA's Career Mentoring or Youth Ambassador programs.

Established in 2016, the Structured Finance Foundation has awarded 29 students nearly $500,000 in college scholarships.

The funds raised by the Structured Finance Foundation come entirely from the structured finance industry.
For more information about the Structured Finance Foundation, please email **foundation@structuredfinance.org**

"As high school students no matter how best we plan, there are many things we overlook financially when going college...books, transportation, family situations that arise...to receive this scholarship is a huge blessing! From my family to SFA, thank you."

RICHARD NUKPETA
OLD SENIOR MILL HIGH SCHOOL



Join Us

Membership: Add your voice

Strength in numbers

As an industry-led trade association, we're strongest when we work together. Make sure your professional voice is heard by joining us.

Our 370+ institutional member base is unique in that it represents the entire breadth of the structured finance market.

- All top 20 U.S. ABS bookrunners;
- Issuers covering all asset classes, including 22 of the top 25 U.S. issuers;
- Prominent and diverse group of over 70 ABS institutional investors;
- All major credit rating agencies;
- All major accounting firms;
- Every leading law firms that practices in the securitization field;
- Every other relevant constituency within the securitization arena, including trustees; servicers; collateralized loan obligation managers; and advisory, tech and diligence firms.

SFA Board of Directors

Executive Committee

- Chair: Christopher Abate, Redwood Trust, Inc.
- Vice Chair: Patricia A. Schulze, Wilmington Trust
- Secretary: Anna-Liza Harris, Katten Muchin Rosenman
- Treasurer: Alberta Knowles, Ernst & Young LLP
- Kevin Chavers, BlackRock
- John Dahl, Citi
- Carol Hitselberger, Mayer Brown
- Valerie Kay, LendingClub
- Eric Wiedelman, JP Morgan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