STRUCTURED FINANCE ASSOCIATION

SFA Research Corner

SFVegas 2025: Navigating Uncertainty, Uncovering Opportunity

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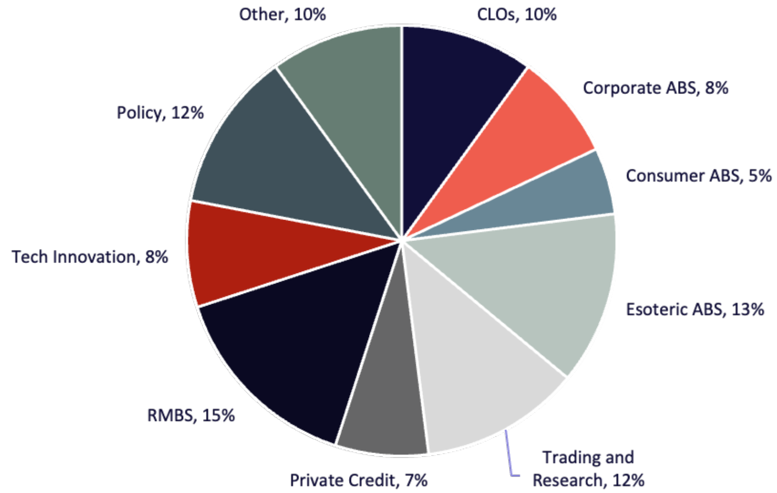
SFVegas has always been a mix of genuine camaraderie and professional rigor – where industry veterans and rising talent exchange ideas, build partnerships and tackle market shifts head-on. Each year brings a distinct tone: some years chase yield, other years prioritize risk avoidance. In 2025, uncertainty took center stage.

Market participants engaged in constructive but cautious dialogue, grappling with a murky macroeconomic outlook, shifting regulations, and the reality that rate cuts aren't coming as quickly as hoped. But change is constant, and while policy shifts take time, securitization keeps evolving—driving innovation in structures, asset classes, and financing solutions. From AI-driven risk assessment to the rise of private credit, structured finance continues to manage risk while keeping capital flowing where it's needed most.

With over 10,000 attendees, 128 exhibitors, and 60 panels, SFVegas remains the industry's premier forum, bringing together issuers, investors, policymakers, and service providers. Lawyers analyzed regulatory shifts, economists debated policy impacts, analysts assessed evolving relative value, and tech firms showcased cutting-edge tools to enhance market efficiency.

But SFVegas isn't just one event—it's four experiences in one. The exhibit hall served as a hub for law firms, tech providers, rating agencies, trustees, servicers and banks to debut innovations, research, and deal opportunities. Panels and sessions dissected trends across ABS, RMBS, CMBS, CLOs, and emerging asset classes, shaping investment strategies. Behind closed doors, banks and asset managers held back-to-back meetings, leveraging conference insights to drive deals. Beyond the venue, coffee shops, lounges, and restaurants buzzed with side meetings, making Vegas the ultimate hub for efficient networking. Each element fed into the others—insights shaped strategy, meetings fostered partnerships, and deals took form as the industry mobilized to put capital to work.

SFVegas 2025 – Distribution of 60 Panels by Subject Matter



Source: SFA

Regulation and Policy

One of the biggest themes at SFVegas was regulatory clarity—or the lack of it. As David Dwyer, SFA's General Counsel, noted, discussions weren't about reducing oversight but about ensuring stability and predictability for market participants. The Global Financial Crisis (GFC) still looms large—not as a distant memory, but as a guiding force shaping today's structured finance landscape.

From Washington, D.C., the Trump administration's second term is rolling out major policy shifts, though many seem aimed at fulfilling campaign promises rather than drastically reshaping the financial sector.

A key debate in both regulatory and legislative circles? DOGE (Department of Government Efficiency). One panelist described the administration's approach as "deregulation by layoff"—a strategy that generates headlines through agency job cuts, prompting political backlash, while simultaneously achieving a broader goal: long-term regulatory downsizing by reducing reach, according to Dan Grattan, SFA's Global Head of Advocacy. Given the significant policy shifts underway, Grattan anticipates that new federal regulatory heads will need to provide clear, bright-line guidance to ensure businesses can navigate the evolving compliance landscape.

With government funding, the debt limit, and expiring tax cuts all in play, Congress is navigating a high-stakes legislative landscape. Leslie Sack, SFA's Director of Advocacy, highlighted that while Republicans control both chambers, their slim House majority means bipartisan cooperation will be required on major bills. Sack expects midterm elections to be critical as inflation and consumer costs remain top voter concerns, and which would have a direct impact on consumer ABS and RMBS credit performance. Meanwhile, key Senate races could reshape the balance of power, making bipartisan policymaking even tougher.

Another hot topic and one that Grattan expects to continue into 2026? GSE reform. The consensus is that it will be driven by the Executive Branch, as market participants would prefer Congressional involvement for a more structured, legislative approach. According to Dallin Merrill, SFA's Senior Director of RMBS Policy, market participants are watching the signals from the equity and bond markets. Equity markets suggest a relatively higher likelihood of some degree of privatization, while bond markets, at least for now, indicate that aspects of the status quo will persist.

ABS

The auto ABS market—by far the largest non-mortgage consumer ABS sector, with over $280 billion outstanding—remains stable, according to Frank Tallerico, SFA's Director of ABS Policy. Sentiment across the Auto ABS sector remains positive, with packed sessions signaling a strong focus on collateral performance and credit fundamentals. Despite rising vehicle costs, underwriting standards haven't budged, and while longer loan terms are becoming more common, their performance remains in line with shorter-term contracts.

One key area of focus? EV residual values. Though still a small slice of securitized portfolios, EVs are drawing attention as the market matures. Tallerico also notes that potential OEM consolidation isn't ringing alarm bells, but if certain models get discontinued, residual values could take a hit.

Optimism remains across consumer ABS, with analysts expecting spreads to tighten, driven by a resilient consumer, low unemployment, and strong household finances. While concerns persist for lower credit-tier borrowers, issuers continue to uphold tighter underwriting and servicing standards of previous years. Despite tight spreads, investors see relative value in ABS over Treasuries and corporates, evaluating opportunities across asset classes and deeper in the capital stack, according to Amy Sze, Head of JPMorgan's ABS Research. Kayvan Darouian, Deutsche Bank's ABS Research lead, highlighted subprime auto ABS subordinate bonds and short WAL senior prime auto ABS as particularly attractive plays in the current market.

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Esoteric ABS

Investors remained engaged in esoteric ABS, with data centers emerging as the latest buzzword, much like private credit dominated past conferences. While overall sentiment was optimistic, it was more measured than in previous years, reflecting investor concerns.

Certain sectors, such as solar ABS, are particularly vulnerable to regulatory shifts, as seen in recent headlines about Sunnova and Sunrun. Meanwhile, investors noted that credit spreads remain historically tight, raising questions about whether they can hold given the heightened uncertainty around the impact of policy changes, once implemented.

In digital infrastructure, investors acknowledged that credit fundamentals remain solid, but flagged concerns over high leverage levels and the fact that the sector has yet to be tested by a true downturn. Music royalty ABS was viewed similarly—an attractive but still relatively untested market. One bright spot? Aircraft leasing ABS, where new deals in February were well received, backed by stronger collateral and improved structures compared to pre-COVID issuances, according to Caroline Chen, senior research analyst at Allspring Global Investments.

For Steven Wang, Director at Turbine Finance, the Whole Business Securitization and Collateralized Fund Obligations (CFOs) panels stood out, offering valuable insights into capital structuring amid financial innovation. Wang also praised the depth of expertise among panelists, highlighting their diverse backgrounds and deep knowledge of the topics. "I would love to see more in the future and hope to have the opportunity for more close talks with people in those areas."

RMBS

Investor sentiment remained positive, with confidence in strong housing fundamentals and consumer resilience. Single-family rental (SFR) is expected to grow beyond 2024 levels, driven by rent appreciation, with issuers showing increased interest in floating-rate structures. Investors also focused on non-agency RMBS backed by closed-end second liens, HELOCs, Residential Transition Loans (RTLs), and Home Equity Investment (HEI) products.

A recurring frustration across the asset class, and indeed across the conference, was persistently tight spreads, with little expectation for meaningful widening, making it challenging to find compelling entry points. Chun Lin, Managing Director and Head of Residential Mortgage Modeling at Bank of America, noted a preference from investors for quality over yield, driven not only by housing concerns but also by tight spreads and limited credit tiering.

Looking ahead, most anticipate marginal home price appreciation in 2025, though concerns persist over higher-for-longer interest rates, rising non-QM delinquencies, and escalating insurance costs. As JPMorgan Research analysts warned, "Rising insurance costs from natural disasters will likely be a slow drag on home prices in disaster-prone areas and is not something that will play out quickly."

Beyond GSE privatization, another widely discussed topic was the future of the Consumer Financial Protection Bureau (CFPB). According to SFA's Dallin Merrill, "While industry participants have regularly tussled with the CFPB over enforcement actions and regulatory interpretations, some attendees noted that the current uncertainty resulting from a diminished Bureau brings its own set of problems. This is particularly acute for emerging segments of the RMBS market, like shared appreciation mortgage products, who now face a 50-state patchwork of enforcement standards and regulations enforced by state AGs."

CLO

Participants described the CLO market as strong, with one panelist characterizing the current environment as simply "Q5 of 2024," according to Jamie Flannick, Deutsche Bank's CLO Research analyst. However, the lingering question was how long this strength would last. "There seemed to be a palpable feeling in the room that market conditions were changing," Flannick observed.

Concerns over a potential consumer spending slowdown loomed large, fueling fears of weaker growth and constrained LBO/M&A activity, which could limit new CLO issuance. With funding costs still attractive, refi and reset transactions have become a top priority for managers. Arbitrage remains stable for now, but continued loan price softening could shift dynamics if CLO debt costs stay tight.

From a sector perspective, investors saw intangible-heavy industries like software, media, and financials as more resilient, while industrials, autos, and utilities faced mounting headwinds. For CLO managers, the focus has shifted to trading up in quality and steering clear of risky Liability Management Exercises (LMEs)—such as debt buybacks, exchange offers, and consent solicitations—which were widely flagged as potential landmines in this uncertain environment.

Private Credit

A recurring theme throughout SFVegas was the rapid expansion of private credit and its growing influence in financial markets. While some questioned its long-term sustainability, the prevailing view was that greater market fragmentation is a net positive, dispersing risk beyond traditional banking institutions. Rather than competing, private credit and traditional finance are evolving in parallel, complementing each other and broadening access to capital.

This expansion is also being fueled by large-scale projects—such as the green transition—that require long-dated investments. Private credit is increasingly seen as a critical financing source for these initiatives, given its ability to provide flexible capital outside of traditional lending channels. At the same time, investor appetite is shifting, with a broader range of capital providers eager to engage with new asset classes before they reach the 144A market. Nicole Byrns, founder of Dumas Capital and a veteran asset-based finance banker, noted that early participation not only allows investors to help shape a developing sector but also offers the potential for higher returns. As Byrns put it, "Not only can they influence the development of a new sector, but they also earn a premium for taking an early risk."

However, competition may be intensifying. As Nellie Flek,Vice President at DZ Bank, observed, a surplus of capital is actively seeking investment opportunities in private credit, while the number of available assets remains limited due to subdued M&A activity.

Beyond investment opportunities, SFVegas panelists highlighted the operational challenges that come with private credit's growth. As the market scales, portfolio performance monitoring and strong portfolio construction principles are becoming increasingly critical to managing risk. Data providers are focusing on developing flexible, forward-thinking solutions that address both current needs and future complexities.

Technology

Given that securitization is built on vast amounts of structured and unstructured data—where loan performance, borrower behavior, and cash flow projections shape investment decisions—efficient data collection, analysis, and transparency are essential. This year, technology wasn't just an add-on; it was a focal point. The exhibit hall transformed into a Tech Demo space, where 18 providers delivered rapid-fire, 15-minute presentations—leaving some attendees wanting more. The conversation carried into the final morning with Tech Odyssey-themed panels, reinforcing technology's growing influence on the future of securitization.

A major focus of the conference was the expanding role of AI and emerging technologies in structured finance. Discussions explored how AI is improving efficiency, particularly by extracting "trapped data" from lengthy legal documents and reducing reliance on manual processing, according to Bernadette Kogler, CEO at RiskSpan, a firm that offered a Tech Demo presentation. Kogler highlighted how RiskSpan is leveraging advanced GenAI to extract, analyze, and streamline complex unstructured data in private structures, ultimately enhancing transparency and risk management in structured transactions.

Balancing Uncertainty and Opportunity

SFVegas 2025 was a study in tempered optimism. The overall sentiment was serious and cautious, yet forward-looking, with a clear recognition that structured finance has long found opportunities in complexities and disruption to ensure businesses and consumers have access to capital, responsibly. While uncertainty loomed large, so did the potential for innovation and growth.

With countless coffee-fueled conversations, and enough steps logged by its attendees to circle the Strip many times over, the conference once again proved why it's the industry's premier gathering. As regulatory clarity continues to unfold, SFA remains focused on tracking developments, providing insights, and helping the industry adapt—until next year!