

SFA Research Corner

From Revival to Scale: Second-Lien RMBS Moves Into a New Phase

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Second-lien RMBS, which include securities backed by home equity lines of credit (HELOCs) and closed-end seconds (CES), has moved from a niche corner of non-agency RMBS into a rapidly growing market. S&P Global Ratings* expects issuance to reach approximately \$40 billion in 2026, up from \$30 billion in 2025 and about \$1 billion in 2022. according to JP Morgan Research, year-to-date issuance has reached \$29.9 billion up from \$16.6 billion over the same period in 2025.

RMBS Credit Issuance to Date

Issuance \$mn	2025 FY	2025 YTD	2026 YTD
Jumbo 2.0	38,025	23,684	31,728
Agency Investor	9,362	6,315	11,199
CRT	7,386	5,937	4,519
Rental	7,637	6,106	4,923
RPL	17,690	12,599	9,932
NPL	8,942	6,087	5,677
Non-QM	79,417	49,802	81,233
Seasoned CRT	1,273	1,273	-
HELOC/CES	28,997	16,634	29,829
Other	24,654	16,433	14,410
Total	223,383	144,869	193,450

Source: J.P. Morgan, Bloomberg Finance L.P.

Second liens are not new. What is different today is the environment driving their growth: homeowners have substantial equity, but many remain locked into first mortgages carrying rates well below current market levels. Rather than refinance the entire mortgage to access cash, borrowers have been preserving their low-rate first mortgage and borrowing separately against their accumulated equity.

When SFA Research Corner [examined](#) the home-equity market in 2024, that dynamic was already emerging. With approximately \$31 trillion in equity, would-be cash-out borrowers were increasingly reluctant to refinance their full mortgage balances at unfavorable rates. Two years later, that borrower decision is supporting a much larger securitization market.

* S&P Global Ratings. "Consumer Pulse: U.S. Second-Lien RMBS Growth Expected Amid Locked-In First Liens and Strong Home Equity." February 2026.

HELOCs versus CES

Beneath the growth in second-lien RMBS are two related but distinct markets: HELOCs and CES. Securitized HELOC outstandings have grown from roughly \$5 billion in 2024 to \$21.5 billion, while CES has expanded from near-zero levels in 2023 to approximately \$39 billion. Both benefit from the same underlying dynamic: homeowners have substantial equity but little incentive to give up low-rate first mortgages to access it.

Rather than refinance the entire mortgage at today’s rates, borrowers can leave the low-rate first mortgage in place and tap their equity through a second lien. The difference is how they access it: HELOCs provide a revolving line that borrowers can draw as needed, while CES provides a lump-sum loan with scheduled repayment. That borrower calculus has given both products renewed relevance—and helped fuel the growth of their securitization markets.

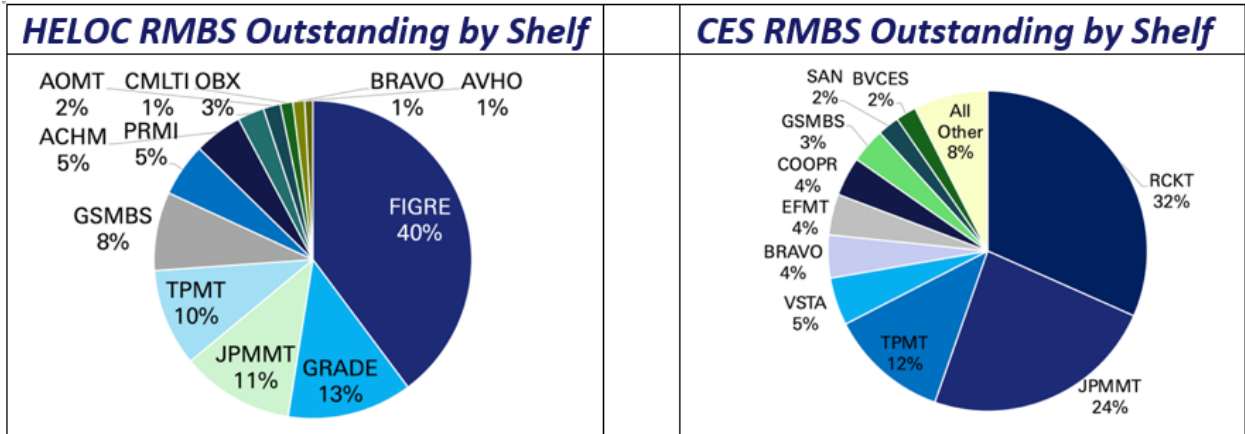
The HELOC product itself has also evolved. Historically, a traditional HELOC was commonly structured with a 10-year interest-only draw period followed by a 20-year amortization period, with a variable rate tied to Prime. Many of the HELOCs seen today look different: they may carry fixed rates, amortize principal rather than include an interest-only feature, and have draw periods substantially shorter than 10 years resulting in HELOC collateral does not necessarily look like the traditional HELOC of prior decades.



Comparing HELOCs and CES

	HELOC	Closed-End Second (CES)
How it works	Revolving line; borrowers draw as needed	Lump-sum loan with scheduled repayment
Primary growth driver	Same for both: substantial home equity + low-rate first-mortgage lock-in	
Securitized outstandings	\$22bn	\$39bn
Recent growth	Up from ~\$0.5 bn in 2022	Up from \$1.4 bn pre-2022
2026 issuance YTD	On pace for ~\$15bn	Already a substantially larger securitized market
60+ day delinquencies	~1.5%	~1.0%
Issuer landscape	Figure and Saluda Grade dominate; mortgage REIT, dealer shelf and private-credit participation expanding	RCKT, JPMMT and TPMT account for 68%; new shelves entering
Growth opportunity	Bank pullback creates room for nonbank/secured lending	Nonbanks, private credit and specialty finance expanding
Key market-specific risk	Banks could return more aggressively; financing could migrate outside traditional securitization	Rapid growth could eventually test borrower quality and underwriting discipline

Source: Compiled from Deutsche Bank Research



Source: Deutsche Bank, Intex

* S&P Global Ratings. “Consumer Pulse: U.S. Second-Lien RMBS Growth Expected Amid Locked-In First Liens and Strong Home Equity.” February 2026.

Same Second Lien, Different Starting Point

The rapid growth of both markets inevitably invites comparisons with the pre-Global Financial Crisis period, when HELOC and CES securitizations were also widespread. But today's borrowers generally start from a different position.

Before the crisis, second liens were often originated as "piggyback" mortgages at purchase, sometimes pushing combined loan-to-value ratios (CLTVs) toward 95%. By contrast, today's securitized second liens are generally being used by existing homeowners to access accumulated equity. For CES specifically, S&P reports that most 2025 originations had CLTVs between 60% and 80%. In broad terms, today's second liens are more often being used to access existing equity rather than help finance a home purchase.

That stronger starting position provides a cushion, but one that can erode. If home prices decline, CLTV rises even without additional borrowing, reducing the protection available to the second lien.

Early Performance

Performance to date has been solid. Deutsche Bank reports delinquencies of approximately 1.0% for securitized CES and 1.5% for securitized HELOCs, supported by strong borrower credit profiles and relatively conservative LTVs.

But borrower credit and home equity protect against different risks. S&P finds that FICO has been more predictive of delinquency than CLTV to date: FICO helps indicate how likely a borrower is to fall behind, while CLTV indicates how much equity cushion is available if that happens.

That cushion is particularly important because the first mortgage gets paid first. If a borrower defaults and the home is worth enough to cover both mortgages, the second lien may avoid a loss. If the equity cushion has eroded, however, losses can be significant. S&P therefore generally assumes 100% loss severity when a second lien defaults, despite the low realized losses to date.

So far, strong borrowers and substantial home equity have supported performance. But the market has yet to be tested at its current scale under more stressful housing and economic conditions.

The Next Test?

The early performance of today's second-lien market reflects a relatively favorable starting point: strong borrower credit profiles, substantial accumulated home equity and underwriting that, according to Deutsche Bank, has not needed to stretch materially on FICO or LTV.

As second-lien RMBS grows, the question shifts from why borrowers are turning to these products to whether those characteristics remain durable at greater scale. The indicators to watch are relatively straightforward: FICO, CLTV, delinquencies, home prices and realized loss severity. A weakening labor market could pressure borrowers' ability to pay, while falling home values could simultaneously erode the collateral cushion protecting the second lien.

But credit performance is only one part of the outlook. Mortgage rates themselves are another important variable. The same first-mortgage lock-in that has helped drive second-lien demand could weaken if rates fall far enough to make cash-out refinancing attractive again. As Jeremy Schneider from S&P Global Ratings explains, "Even with substantial homeowner equity, declines in 30-year mortgage rates could affect second-lien volumes and potentially reverse growth as borrowers turn to Fannie Mae and Freddie Mac cash-out refinances with new first liens, historically the more typical approach to equity extraction."

For now, however, the rate differential remains substantial. As Schneider notes, many homeowners continue to hold first mortgages at historically low rates, "Mortgage rates have struggled to fall, and with many homeowners across the country locked into historically low first-lien rates, it would likely take a material decline in the 30-year mortgage rate to suppress second-lien growth."

That distinction is important: second-lien volumes could slow because the economics of equity extraction change, rather than because second-lien credit performance deteriorates. In other words, the same rate dynamic that has helped fuel the market's growth could eventually work in reverse.

That brings the story back to the broader second-lien RMBS market. HELOCs and CES may be different products, but both are benefiting from the same unusual combination of mortgage-rate lock-in and accumulated homeowner equity. The second lien itself is familiar; what is different is the starting point of today's borrower, in some cases the structure of the product itself, and the scale of the market developing around that demand.