



AMHERST
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The Market in Asset Finance

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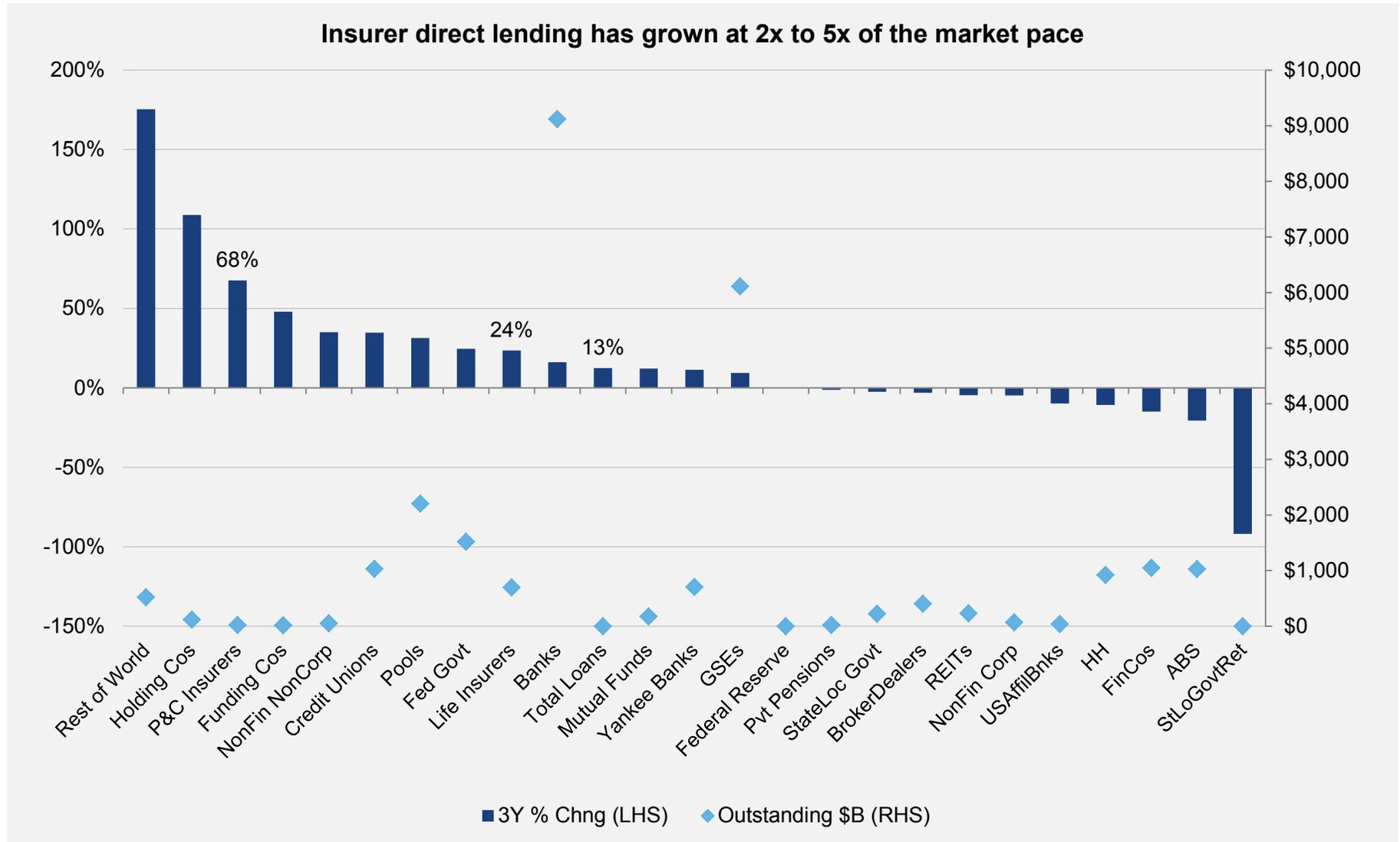
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SUMMARY

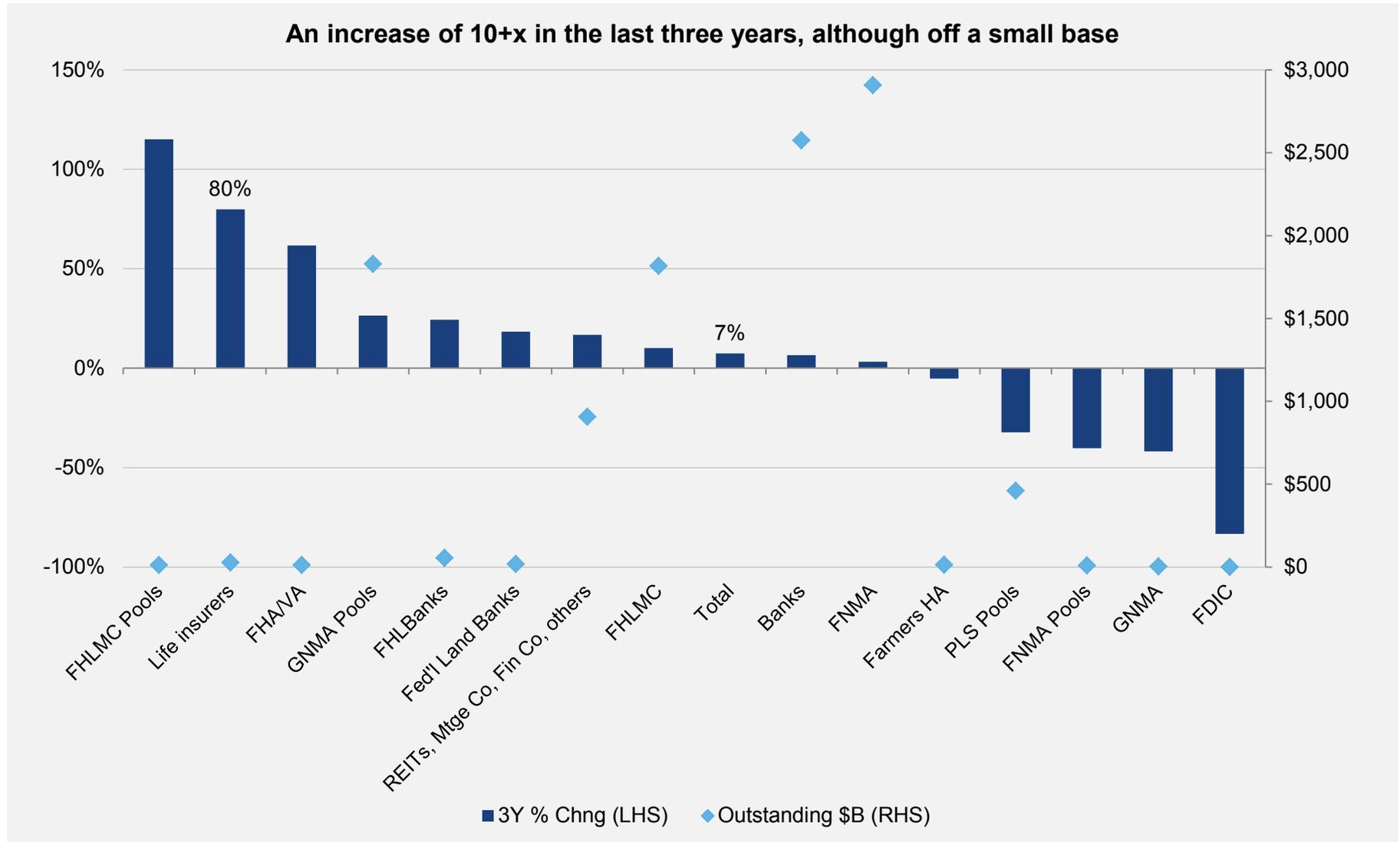
- **Significant insurer interest in direct lending and asset finance**
- Yield, size, control and diversification are all part of the draw
- Monitor and manage the relationship

SIGNIFICANT INSURER INTEREST IN DIRECT LENDING



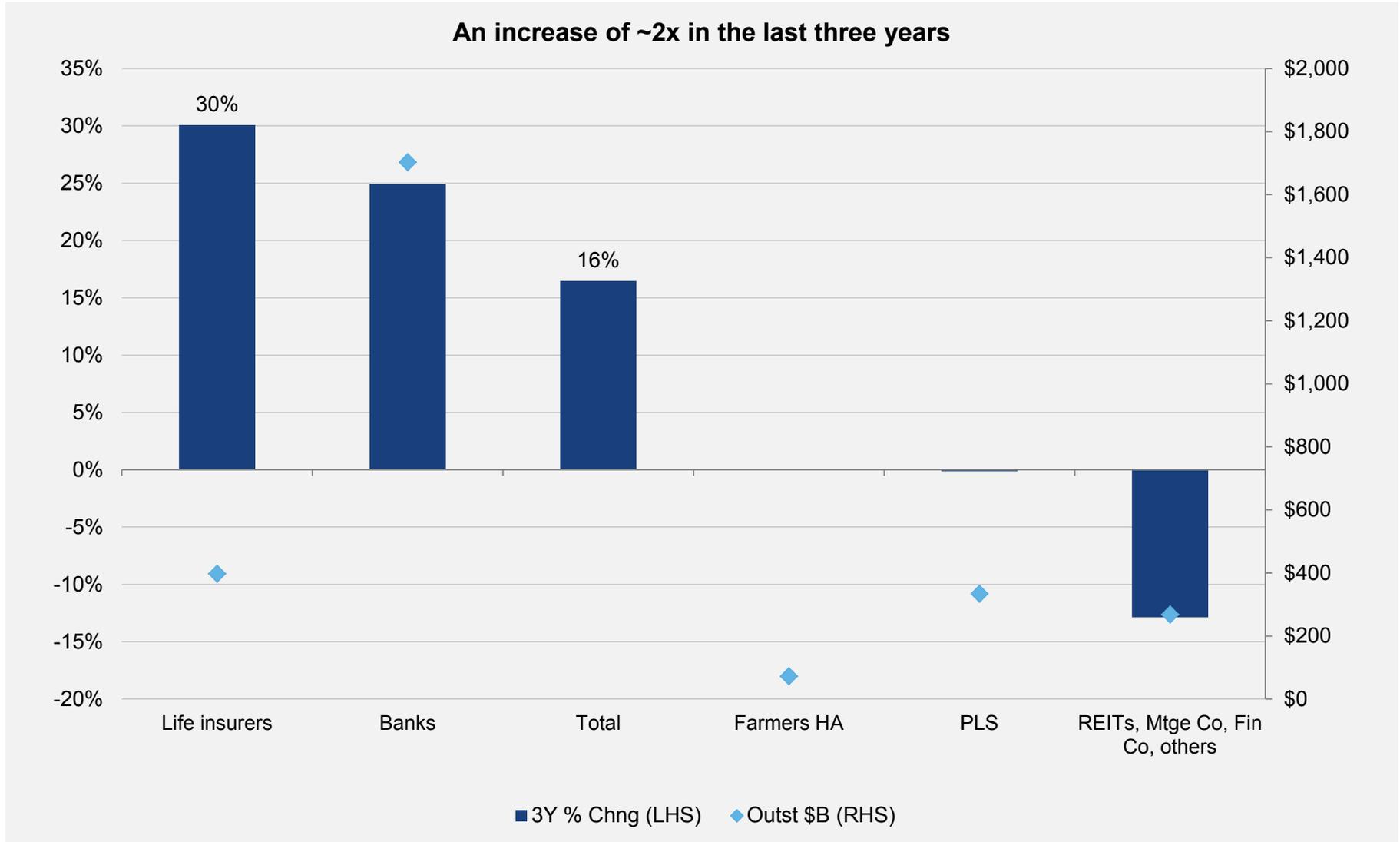
Source: Federal Reserve, Financial Accounts of the United States, Z.1

ESPECIALLY STRONG INTEREST IN 1-4 FAMILY RESIDENTIAL



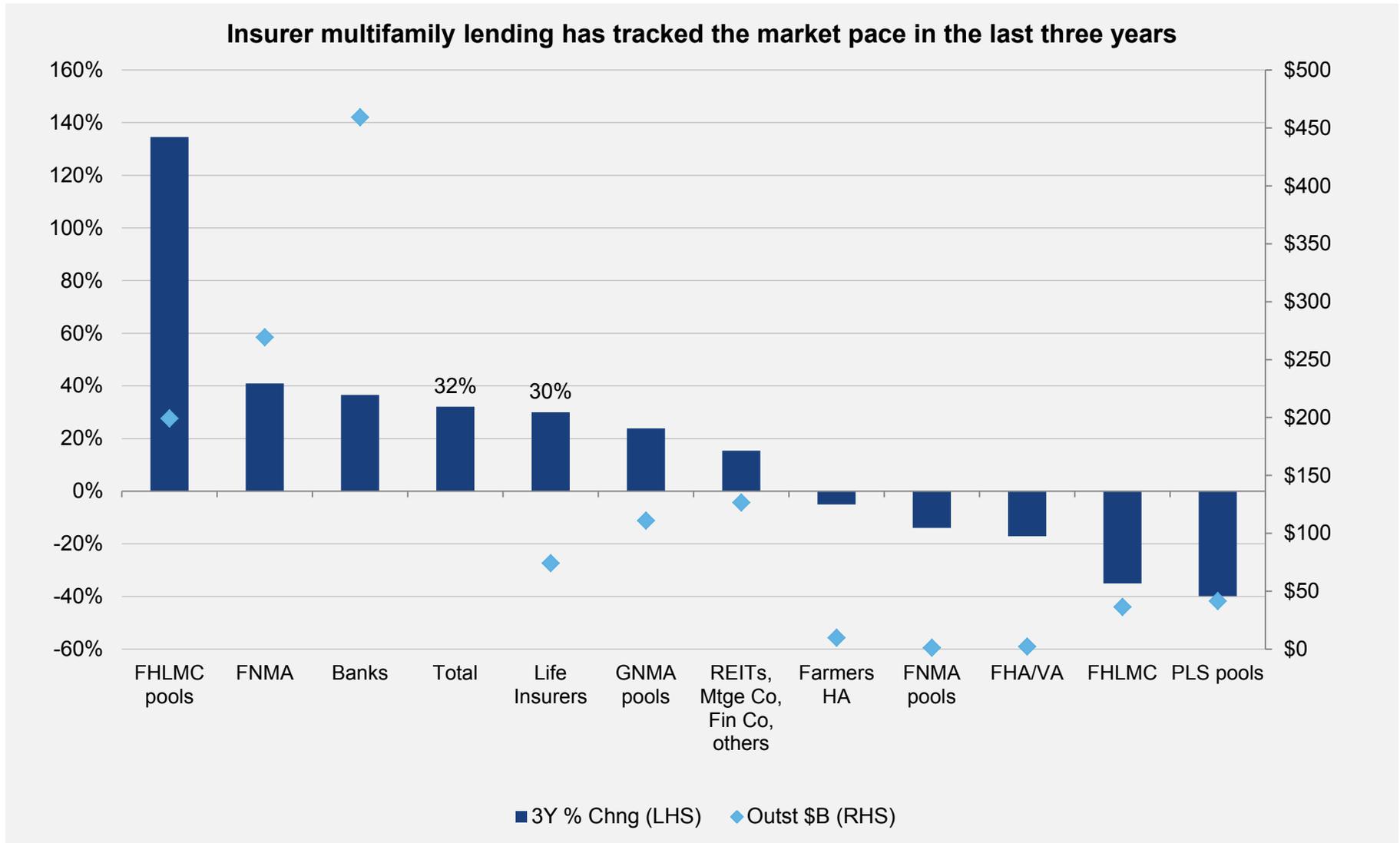
Source: Federal Reserve, Financial Accounts of the United States, Z.1

STRONG INTEREST IN COMMERCIAL MORTGAGE LENDING



Source: Federal Reserve, Financial Accounts of the United States, Z.1

GROWING AT THE MARKET PACE IN MULTIFAMILY



Source: Federal Reserve, Financial Accounts of the United States, Z.1

SUMMARY

- Significant insurer interest in direct lending and asset finance
- **Yield, size, control and diversification are all part of the draw**
- Monitor and manage the relationship

LOAN OFTEN ADD TO PORTFOLIO PERFORMANCE

Loan have some advantage over CUSIPs

Advantages of loans over CUSIPS	Disadvantages
<ul style="list-style-type: none">▪ Return▪ Diversification▪ Size of investment▪ Structure – term / recourse / covenants▪ Direct relationship with owner of assets	<ul style="list-style-type: none">▪ Liquidity▪ Contingent liability of undrawn amounts▪ Operational risk

RELATIVE VALUE CASE STUDY – SINGLE FAMILY FOR RENT

Public Securitization

Private Loan

Progress Residential 2018-SF3

Class	Rating	Amount	WAL	% of Assets	U/W NCF	Subordination	Spreads	
A	Aaa/AAA	\$425	5.04	41.09%	12.59%	58.91%	0.80%	
B	Aa3/AA+	\$105	5.04	10.20%	10.09%	48.71%	1.00%	
C	A3/AA-	\$46	5.04	4.50%	9.27%	44.21%	1.10%	
D	Baa3/A	\$65	5.04	6.30%	8.33%	37.91%	1.35%	
E	NR/BBB	\$143	5.04	13.80%	6.82%	24.12%	1.80%	
F	NR/BBB	\$108	5.04	10.50%	5.99%	13.62%	2.30%	
G	NR/BBB	\$62	5.04	6.00%	N/A	7.62%		
H	NR/BBB	\$79	5.04	7.62%	N/A	0.00%		
		\$1,033						

Unitranche Cost of Funds Comparison

	Wavg Spread	Support	Attach	Detach
Class A to E	1.07%	24.12%	0.00%	75.88%
Class A to F	1.22%	13.62%	0.00%	86.38%

Warehouse

- Revolving nature
- 2 to 3 year term
- Non-rated
- L+1.75% to L+ 2.00%

Private Term Loan

- ~75% BPO
- 3 to 5 year term loan
- Non-rated
- N+ 1.50% to N+ 2.00%

RELATIVE VALUE CASE STUDY – AGENCY MORTGAGE

Public Securitization

Hypothetical Agency Mortgage Loan Revolving Securitization

Class	Rating	Amount	% of Assets	Estimated Coupon	Subordination
A	AAA	\$238,500,000	79.50%	1m libor + .70%	20.50%
B	AAA	\$13,500,000	4.50%	1m libor + 1.00%	16.00%
C	A	\$18,000,000	6.00%	1m libor + 1.30%	10.00%
D	BBB-	\$22,500,000	7.50%	1m libor + 1.60%	2.50%
Retained Cert	NR	\$7,500,000	2.50%		
Total		\$300,000,000	100.00%		

Unitranche Cost of Funds Comparison

	Wavg Spread	Support	Attach	Detach
Class A to D	0.89%	2.50%	0.00%	97.50%

Private Loan

Warehouse Terms:

- Revolving nature
- 1 to 2 year term
- Non-rated
- L+1.25% to L+ 1.50%

RELATIVE VALUE CASE STUDY – NON-QM MORTGAGE

Public Securitization

Private Loan

Hypothetical Non QM Mortgage Securitization

Warehouse Terms:

Class	Rating	Amount	% of Assets	Subordination	Estimated Coupon
A-1	AAA	\$203,399,112	67.80%	32.20%	0.75%
A-2	AA	\$20,400,347	6.80%	25.40%	0.85%
A-3	A	\$37,800,160	12.60%	12.80%	0.90%
M1	BBB	\$14,099,998	4.70%	8.10%	1.40%
B1	BB	\$10,350,297	3.45%	4.65%	2.40%
B2	B	\$7,349,763	2.45%	2.20%	N/A
B3	NR	\$6,600,324	2.20%	0.00%	N/A
Total		\$300,000,000	100.00%		

- Revolving nature
- 1 to 2 year term
- Non-rated
- ~L+ 1.50%

Unitranche Cost of Funds Comparison

	Wavg Spread	Support	Attach	Detach
Class A to M1	0.81%	8.10%	0.00%	91.90%
Class A to B1	0.87%	4.65%	0.00%	95.35%

SUMMARY

- Significant insurer interest in direct lending and asset finance
- Yield, size, control and diversification are all part of the draw
- **Monitor and manage the relationship**

SEVERAL KEYS TO MONITORING AND MANAGING THE RELATIONSHIP

- Need strong knowledge of the underlying assets
- Need strong knowledge of the operations and finances of the originator
- Need a good administrative agent
- Not just a transaction, a relationship

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