Structured Finance and Securitization

2021 Year in Review

HUNTON
ANDREWS KURTH

INTRODUCTION

Despite the continued upheaval in society caused by COVID-19 and its variants in 2021, the structured finance and securitization industry continued full strength, helped by favorable market conditions and investor demand. Early predictions of substantial insolvencies and defaults were mostly off the mark as government programs and those favorable market conditions facilitated issuances and transaction performance.

Hunton Andrews Kurth's Structured Finance and Securitization Team was extremely active in 2021, handling a variety of transactions involving RMBS, reverse mortgage loans, warehouse financing, servicing acquisitions and financing, credit risk transfer, and a myriad of other transactions, including new asset classes. We have worked closely with our clients in the development of novel structures and the financing and securitization of a variety of financial products. Our practice continues to grow and evolve along with our clients and the industry. We continue to collaborate and work closely with many of our adjacent practice groups, including tax, private equity, M&A, capital markets, financial services, energy, bankruptcy and regulatory, so that we can provide seamless and responsive service to meet the needs of our clients.

Our lawyers are leaders in the industry and in our communities. **Amy McDaniel Williams** was recently appointed to the board of the Securitization Finance Association and also serves as Vice Chair of the Securitization and Structured Finance Committee of the Business Law Section of the American Bar Association. She also plays an active role in training our lawyers, including her popular Wisdom Wednesday programs, and educating our clients on new developments. **Rudene Mercer Haynes** has been recognized as a leader in diversity and inclusion initiatives and also was recently elected to the firm's Executive Committee and heads the firm's Recruiting Committee.

We are pleased to announce that **Brent Lewis** has been appointed co-head of our Structured Finance and Securitization Team, which he will fit into his very busy RMBS practice. **Tom Hiner** will continue to be very involved in the management of our practice on top of his responsibilities as co-head of the firm's Corporate Team, which includes the SFS team and other corporate practice areas.

We are grateful to you, our clients, for the opportunities to partner with you in your business and we look forward to working closely with you again in 2022. Below is a summary of our team's activities in 2021 and some of our projections for 2022.

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FORECAST FOR 2022

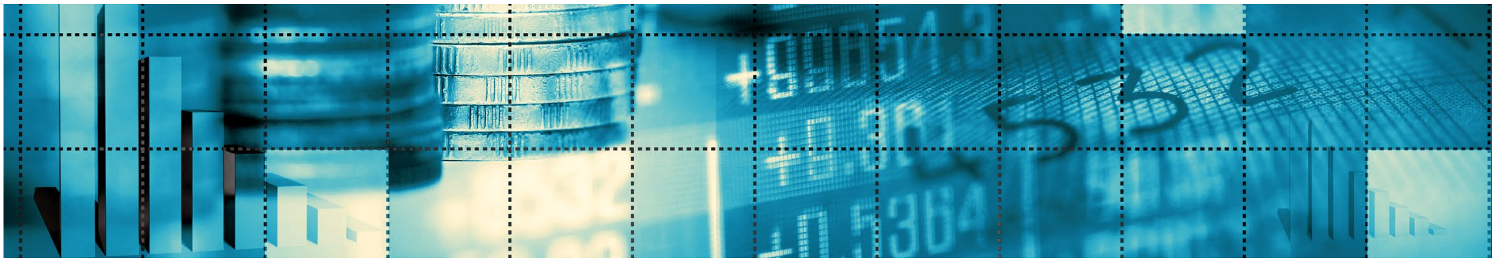
LIBOR Transition

With one-week and two-month USD LIBOR ending on December 31, 2021, and all other USD LIBOR tenors set to end on June 30, 2023, LIBOR transition is in full swing. US financial regulators have indicated that, with certain limited exceptions, US financial institutions should not create new LIBOR exposure after December 31, 2021. In 2020-2021, we focused on LIBOR fallback language. In 2022, we will focus on SOFR language – in all its various forms, including simple, compounded and term SOFR. Hunton Andrews Kurth has closely studied the substantive and operational implications of LIBOR transition for financial institutions and borrowers and is advising clients daily on LIBOR, SOFR and other alternative rate transition issues. We continue to monitor the federal LIBOR legislation, which will provide for smoother SOFR transition for those instruments where amendment to an alternative rate is impossible or impracticable. Hunton Andrews Kurth's multi-disciplinary team is available to assist clients navigating this crucial transition. Our attorneys draw on years of mass amendment project experience and the firm's sophisticated technical tools to maximize efficiency. Our financial services litigation team is primed if disputes concerning LIBOR transition issues arise.

Residential Mortgage-Backed Securities

Driven mainly by record low mortgage rates and the resulting demand for refinances and home purchases, the private label securities RMBS market in 2021 experienced record volumes (at least post-credit crisis), almost doubling the volume of deals from 2020. Despite the global fears relating to the COVID-19 pandemic (and its potential impact on borrower and servicer performance), strong growth was particularly evident in the prime jumbo and non-QM space. While the number of mortgage loans subject to COVID-19 relief plans included in RMBS transactions decreased during 2021, a certain level of uncertainty continues to exist in the markets because of the pandemic and the surge of the Omicron and Delta variants. In particular, protections put in place from the CARES Act and other state legislation that provided for payment forbearance and other relief for borrowers (including foreclosure and eviction moratoriums) have recently expired and many homeowners are reaching the expiration of their forbearance terms. In addition, the Federal Housing Finance Agency ("FHFA") increased the conforming loan limits for mortgages acquired by the GSEs (which may result in more mortgage loans flowing to the GSEs and away from the PLS market). Nevertheless, despite some of these hurdles, we anticipate a similar volume for the number of deals for 2022, although the mortgage market may shift from a refinancing market to a purchase market.

An increase in the number of securitizations backed by investment properties was partly responsible for the increased PLS volume in 2021. In January 2021, restrictions were added to the Preferred Stock Purchase Agreements between Treasury and Fannie Mae and Freddie Mac that, among other things, limited the number of second home and investment property mortgages each of the GSEs could acquire as part of a government effort to allow the companies to retain more capital. Specifically, the rules limited Fannie and Freddie's purchase of second home and investment property mortgages to seven percent of their total acquisitions. As predicted by market participants, the changes forced lenders to send their mortgages to the PLS market and we saw many first time lenders enter with new programs, issuers rushing to acquire loans from third parties to find securitization outlets and, just in general, an influx into the private markets. However, in early September, the FHFA announced that it was suspending several of the new policy changes put in place in January 2021 that altered how Fannie and Freddie do business, including the seven percent cap on investment properties (meaning each of the GSEs was able to immediately return to acquiring these mortgages as they did prior to the rule changes taking effect). As a result, we anticipate that fewer private label investment property securitizations with GSE eligible collateral will occur in 2022.



Another important development in 2021 (and a factor for performance in 2022) relates to timing of the expiration of the temporary qualified mortgage provision applicable to certain mortgage loans eligible for purchase or guarantee by the GSEs (commonly referred to as the "GSE patch"). The GSE patch was scheduled to expire no later than January 10, 2021. However, in connection with a series of rules amending the final "qualified mortgage" rule, the CFPB issued a final rule extending the sunset date for the GSE patch to the earlier of (i) the mandatory compliance date of the final rule amending the general qualified mortgage definition (which was July 1, 2021 and subsequently extended to October 1, 2021) or (ii) the date the GSEs exit conservatorship. Notwithstanding the extension of the sunset date, the GSEs informed market participants that the GSEs would cease purchasing loans under the GSE patch and only purchase loans that met the revised qualified mortgage definition starting with loans with application dates on or after July 1, 2021. It remains unclear what impact the effective expiration of the GSE patch will have on the mortgage market and RMBS transactions.

Reverse Mortgage Securitization

In 2021, the securitizations of reverse mortgages maintained the robust pace of issuance that had picked up steam in the second quarter of 2020, both for FHA-insured home equity conversion mortgages ("HECMs") and proprietary reverse mortgage (not FHA-insured) products. Offerings during 2021 were tailored to meet market forces driven by the continued low interest rate refinance market as well as the liquidity strategies of issuers who sought to leverage greater portions of their books beyond the traditional fare of fixed pool, non-performing mortgages.

Hunton Andrews Kurth is a leading law firm in the representation of initial purchasers and issuers of insured and private reverse mortgage securitizations. With a full pipeline for the first quarter of 2022, and market and demographic trends that are favorable, we foresee another banner year of activity for reverse securitization issuers.

Credit Risk Transfer

2021 saw a number of developments that indicate a continuing robust credit risk transfer ("CRT") market in 2022. A short time after the Supreme Court of the United States held on appeal in Collins v. Yellen that the FHFA did not exceed its authority under the Housing and Economic Recovery Act of 2008 (the "Recovery Act") as a conservator of Fannie Mae and Freddie Mac, there was a notice of proposed rulemaking to amend the 2020 Enterprise Regulatory Capital Framework Rules ("ERCF"). This would replace the prudential floor of ten percent on the risk weight assigned to any retained CRT exposure with a prudential floor of five percent on the risk weight assigned to any retained CRT exposure and remove the requirement that a GSE must apply an overall effectiveness adjustment to its retained CRT exposures in accordance with the ERCF's securitization framework. Prior to these developments, Freddie Mac had kept up with the pace of issuance of their STACR products in 2021 in response to increased production and refinancing activity and issued eleven STACR deals. Fannie Mae, on the other hand, resumed its CAS program after these developments, having last issued in March 2020. The proposed issuance calendars for 2022 for each GSE indicate a steady stream of risk transfer deals throughout 2022. In addition, both GSEs continue to improve the efficiency of the capital relief provided by their CRT issuances, and both GSEs successfully completed tender offers for certain previously issued debt securities. In addition, the high volume of refinancing and purchase money activity saw particularly active private-label mortgage credit and mortgage insurance-linked note markets, with several banks issuing at least once and most of the mortgage insurers issuing at least twice in 2021, a pace that is expected to remain on trend for 2022. Hunton Andrews Kurth is a leading law firm in the representation of initial purchasers of credit risk transfer issuances. We see a full pipeline for these products for the first quarter of 2022 and, with the market being favorable, we foresee another banner year of activity for the credit risk transfer market.

FORECAST FOR 2022 CONTINUED

Warehouse Financing

Our warehouse lending practice continued to grow in 2021, as the entire industry experienced increased volume of residential mortgage loan originations and refinancings. We continued to close early buyout ("EBO") facilities in 2021, including financings with traditional warehouse lenders, as well as private equity players. Also, 2021 was a year in which many more warehouse lenders permitted the financing of eNotes. The uptick in gestation facilities that we saw in 2020 continued apace in 2021, with both repurchase and participation structures. Overall, we continued to see SUBI trust structures implemented by some borrowers for tax and operational considerations. Moreover, while whole loan repurchase agreements represented the bulk of warehouse facilities, we closed a number of repurchase facilities in which DTC securities backed by mortgage assets were put on repo.

We continued to serve clients in matters involving agency-eligible collateral, nonperforming and re-performing mortgage loans, REO properties, non-QM mortgage loans, traditional and small balance commercial loans, short-term investor mortgage loans, residential tax liens, CMBS and RMBS, fix-and-flip loans, investor rental loans, reverse mortgage loans, crop loans and student loans. We expect that warehouse lending will continue to be an attractive financing option for an ever-expanding list of mortgage and non-mortgage products.

As warehouse lenders have increased their outstanding balance sheets to meet demand, we continue to see and assist warehouse lenders with limiting their exposure through participation of their facilities and rehypothecation of certain assets via back-to-back repos and other rehypothecation structures.

The end of 2021 also heralded the end of LIBOR for new contracts, so warehouse lenders began to propose amendments to facilities in order to implement a new benchmark, most often SOFR. This activity continues into 2022.

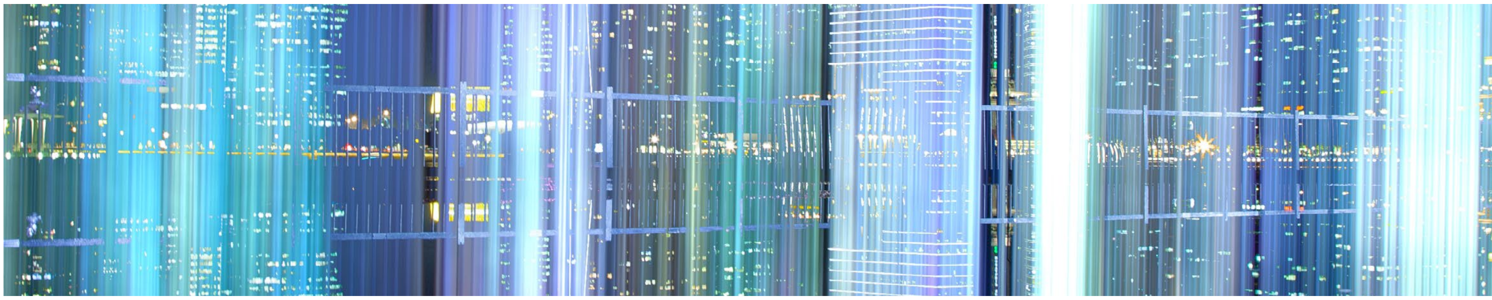
In 2021, because of our deep understanding of the industry, we were able to offer our clients the service and advice they needed in this ever-changing landscape and our client base continues to expand. We look forward to helping our clients find opportunities and succeed in the coming year and beyond.

Single-Family Rental

The single-family rental ("SFR") market continued to perform well in 2021, with significant increases in home values and rental rates. We have been particularly active in advising clients in the sales, acquisitions, financings and refinancings of SFR property portfolios of various sizes. We have advised several REIT clients as they have expanded into this asset class. Sponsors have been particularly focused on the build-to-rent sector and partnerships with home builders/developers. We were issuer's counsel on a novel rent-to-own property securitization. We expect this asset class to remain healthy for 2022.

Mortgage Servicing Rights Financing and Investments

In 2021, we saw the continued evolution of the financing of, and structuring investments in, servicing rights and servicing cash flows, especially with regard to Fannie Mae, Freddie Mac and Ginnie Mae mortgage servicing. While the COVID-19 pandemic continues to impact the operations of many servicers, the most significant storylines for 2021 were the relatively low or slowly rising mortgage rates. While this rate environment enabled refinancing activity to continue to be robust in 2021, it also served to limit the increase in value of existing servicing rights which would follow from expectations of increases in prevailing mortgage rates, prolonging acquisition opportunities for investors who expect to see rates rise in the coming years. While servicers and investors continue to struggle with the current uncertainty around rates and the emergence of inflation, which may or may not be more persistent than expected, we have seen a marked increase in investments in mortgage servicing rights and components of servicing economics, both by servicers (mostly non-banks) and third party investors.



FORECAST FOR 2022 CONTINUED

In an effort to acquire or retain additional servicing rights, servicers continued to access the capital and bank loan markets to finance their mortgage servicing portfolios. 2021 saw continued term and variable note issuances by multiple non-bank issuers secured by Fannie Mae, Freddie Mac and Ginnie Mae servicing rights. The GSEs and Ginnie Mae have also actively participated in transactions ensuring their servicers have access to outside investment and capital markets, as well as traditional bank financing. In particular, Ginnie Mae expanded the scope of its Acknowledgment Agreement to allow for the financing of servicing advances, which resulted in the first issuance of term notes backed by Ginnie Mae servicing advances.

The use of excess servicing strips and similar structured investments in servicing economics continued to accelerate in 2021. Such structures allow servicers to access capital investments from a broader spectrum of investors than traditional asset-based or high-yield debt, without taking on frequent mark-to-market risk. Investor interest in excess servicing strips has expanded significantly in 2021 as private equity funds and REITs seek ways to participate in an asset that many feel can produce an attractive yield, and that can be advantageous for tax and other purposes of private equity and REIT investors. If, as many expect, rates continue to rise over the coming years, prepayments should be expected to slow, thereby extending the life of mortgage servicing rights and increasing their value, to the extent not undercut by other factors (for example, should delinquencies increase due to inflation or other economic factors that affect homeowners). Servicers and investors have found price points that have worked for both sides over the last 18 months, and we expect these structures to flourish further in 2022.

Hunton Andrews Kurth brings together lawyers from our structured finance, corporate secured lending, private equity, tax and bankruptcy teams to focus our combined experience on assisting our clients in developing innovative transactions for financing and investing in MSRs, excess spread related to MSRs, and working with the agencies to find realistic balancing of the market's need for efficient financing and the agencies' need for control.

In 2021, we represented and advised numerous fund investors and REITs on excess spread investments through private equity and lending structures, and several servicers in connection with joint ventures to facilitate investments in servicing cash flows. We represented lenders and borrowers on several loans secured by agency servicing rights and agency and private-label pools of excess servicing spreads associated with MSR portfolios. We also represented lenders, underwriters and issuers in several securitizations secured by Ginnie Mae, Fannie Mae, Freddie Mac and private-label MSR portfolios.

As we make the turn into 2022, interest in MSRs continues to be strong both from the servicer and investor side. With the continuing uncertainty about the future, in particular the level of interest rates and prepayment speeds, as well as the continuing impact of the COVID-19 pandemic, we expect that there will still be uncertainty as to the value of MSRs. However, we expect that the current interest in financing and acquisition of MSRs and interests therein will remain strong in 2022.

FORECAST FOR 2022 CONTINUED

Highlights:

- We represented underwriters and issuers in connection with structuring, amending and financing structured financing facilities backed by excess servicing spreads and MSR collateral, including both revolving bank-funded notes and term securities, including representing investment banks in the securitization financing of Freddie Mac MSR collateral;
- We represented the underwriter and issuer in connection with the first Servicing Advance Term Notes backed by Ginnie Mae MSRs;
- We closed multi-lender and bilateral secured term loans with and without delayed draw capacity, in some instances coupled with financing for private equity and REIT debt investors to produce a desirable return, each with different features tailored to the respective lender groups;
- We advised on synthetic transfers of servicing cash flows through joint venture structures to enable private equity investment in servicing cash flows while leaving the servicing performance and the related compensation with the operating servicing company without mark-to-market exposure; and
- We advised on the financing of investment interests in excess servicing spread investment vehicles.

Our multidisciplinary team is dedicated to remaining at the forefront of these market developments and we expect to facilitate more innovative solutions for our bank, investor and servicer clients in the coming year.

MSR Sales and Servicing

MSR activity was strong in 2021. With interest rates stabilizing and trending upwards, pricing for mortgage servicing rights increased over the course of year. This was welcome news to sellers following a bumpy 2020 when the pandemic took its toll on the economy generally and MSR valuations specifically. Through the 3rd quarter of 2021, over $500 billion (UPB) of MSRs traded hands. With higher prices for sellers and significant purchaser demand, the market saw an array of small and large bulk MSR transactions and the continued growth of flow Fannie/Freddie co-issue transactions and flow Ginnie Mae PIIT transactions. There were also some large transactions involving sellers exiting the corresponding lending or origination business and selling off the associated assets, including large portfolios of mortgage servicing rights. The pandemic has certainly had a significant impact on MSR transactions. For example, MSR transaction parties had to address CARES Act forbearances and whether they would be included as part of MSR transfers and how they would be treated for early payment default provisions.

Overall, though, the contract provisions for most MSR transactions have not changed materially over the past year or recent years, with MSR purchase and sale agreements generally reflecting purchaser friendly provisions. That said, sellers/originators with significant volume may have leverage to be able to extract some concessions when negotiating the MSR purchase and sale agreement. Investors in MSRs are focused on protecting their investments and working with servicers on MSR recapture arrangements for loans that refinance. For 2022, although the refinancing boom appears to be coming to an end, this may be offset to some extent by the recent increase on loan size announced by the FHFA for Fannie Mae and Freddie Mac loans. That, in addition to favorable economic conditions and strong demand by MSR investors, should mean another active year for agency MSR transactions.

Residential Whole Loan Transactions

In 2021, with interest rates remaining at historic lows, substantial refinancings, together with unrelenting housing demand, continued to drive strong origination volumes and the resulting whole loan transfers from originators to investors and capital markets participants. 2021 also saw substantial increases in the sale and securitization of business purpose loans and, after taking a hit initially during the pandemic, non-QM loans. We also continue to see whole loan transactions involving nonperforming and reperforming loans, and even second lien loan transactions, as well as fix-and-flip and other investor loans. For 2022, loan origination volume for non-agency loans may not be as robust as recent years as a result of rates creeping up and the refinancing demand slowing significantly, together with the recent increases of loan size permitted for Fannie Mae and Freddie Mac. That may be offset to some extent by strong housing demand and the resurgence of non-QM loan originations. We continue to represent clients on a variety of whole loan transactions and servicing retained and servicing released mortgage loan purchase agreements and subsequent assignment and assumption agreements and of course the ultimate securitization of the loans.

Servicer Advance Financing

Due to the uncertainty of the duration and impact of the COVID-19 pandemic on borrowers' ability to meet their obligations under their residential mortgages, servicers obtained servicer advance financing in 2020 at levels that rivaled servicer advance financing facilities during the global financial crisis. In particular, non-bank servicers big and small were laser-focused on shoring up liquidity sources to make sure they had funds available, if needed, to make necessary advances in private label securitizations, Ginnie Mae MBS and GSE transactions. Because the first, second, third and fourth COVID-19 waves did not result in anticipated peaks in borrower delinquencies or unprecedented levels of forbearances, the demand for servicer advance financing was tepid in 2021. Few new servicing advance facilities were established in 2021, and existing facilities underwent routine maintenance including pricing adjustments and downsizing in connection with annual renewals. While it remains to be seen what the Omicron variant and a prospective fifth wave will bring to the servicer advance financing space, it is possible that facilities that were originally set up in 2020 (or facilities that were renewed this year) as dry powder for use if delinquencies were to spike or forbearances were to increase may be accessed and drawn down. Servicer advance facilities provide a reliable and efficient liquidity for servicers especially during periods of uncertainty. The availability of servicer advance financing remains critical as the mortgage industry continues to weather this pandemic and will be key to the resulting economic recovery.

Regulatory/CFPB Developments and Projections

In 2021, the Biden Administration immediately increased regulatory activity across all the federal agencies, with particular focus on mortgage lending and servicing impacted by the COVID-19 pandemic, as well as issues of fair lending and fair access. With new appointees fully in place at key regulatory agencies, including the Consumer Financial Protection Bureau ("CFPB"), we expect investigations and enforcement actions to increase in 2022.

With respect to fair lending, this was an extremely busy year. Looking forward to 2022, redlining and fair lending will continue to be focal points for federal and state regulators. Of note, in October 2021, the United States Department of Justice ("DOJ") launched its Combatting Redlining Initiative. The Initiative implements a cross-government effort seeking to make mortgage credit and homeownership accessible to all Americans on the same terms, regardless of race or national origin or the neighborhood where they live, by promoting collaboration and referrals between regulators and state attorneys general regarding redlining examinations. This new initiative already led to a significant redlining enforcement action in October, and is expected to result in increased enforcement activity in 2022.

State legislatures and regulators have also refocused on redlining and fair lending. Several states, including Illinois and New York, have recently expanded their state community reinvestment act mandates to include non-bank lenders, signaling a likely uptick in redlining investigations and actions against both banks and non-bank lenders.

In addition to redlining concerns, the CFPB has also proposed new data collection and reporting requirements to implement Section 1071 of ECOA. The proposed rule would be the "first comprehensive database of small business credit applications in the United States." Of note, the proposed rule would require collection and reporting on minority- or women- owned business status, as well as the ethnicity, race, or sex of the principal owners to allow for further fair lending oversight of business lending. The proposed rule would

FORECAST FOR 2022 CONTINUED

apply broadly to any application for credit to a “covered financial institution” that originated at least 25 covered credit transactions for “small businesses” in each of the two preceding calendar years. “Small business” will be defined by reference to the SBA definition found in 15 U.S.C. 632(a), with an additional limitation to businesses with gross annual revenues of $5 million or less in the preceding fiscal year. The period to submit comments on the proposed rule ended January 6, 2022.

With respect to the COVID-19 pandemic, the CFPB rescinded its 2020 guidance that provided regulatory flexibilities for lenders and servicers. Moving into 2022, the Bureau intends to exercise its supervisory and enforcement authority “with the full authority afforded by Congress.” Therefore, institutions and servicers must be prepared for increased scrutiny of implementation of the requirements under the CARES Act and the recent changes to RESPA/Regulation X servicing and loss mitigation practices.

Looking forward, we expect another busy year in 2022, with regulators carefully scrutinizing the practices of banks and other financial service providers, with particular focus on protecting consumers impacted by COVID-19 and combatting discrimination in lending.

Tax Impacts on Structured Finance and Securitization

In 2021, the CARES Act continued to create unique issues for real estate securitizations relating to forbearance and deferral of mortgage loan payments. Although the initial relief provided by the Treasury Department for COVID-related loan modifications originally expired at the end of 2020, Hunton Andrews Kurth tax attorneys were successful in their request that the Treasury Department extend relief for loan borrowers seeking COVID-related loan modifications. Hunton Andrews Kurth attorneys were also involved in requesting an extension of the relief upon the expiration of the extended coverage period in September, but the Treasury Department has provided no further guidance to date. Over the course of this year, our tax attorneys continued to implement tax structuring solutions and revised mortgage loan qualification criteria related to COVID loan modifications.

In 2021, we saw the market continue to transition away from LIBOR to SOFR, especially as “benchmark transition events” were triggered. This year, Hunton Andrews Kurth tax attorneys continued to be involved in legislative efforts to provide relief to market participants from unintended tax consequences of LIBOR transition. In 2022, we expect to see the market continue to shift away from using LIBOR as an index for floating-rate lending transactions and the safe harbor LIBOR replacement provisions coming into common usage.

Finally, although the Democrats control both houses of Congress, it is not expected that any significant tax law reform will be signed into law in 2022, given the resistance from some Senators to tax reform.

Home Price Appreciation Contracts

Interest in Home Price Appreciation (or Home Equity Investment) contracts continued to grow during 2021. Unlike traditional mortgages, these products are structured as an investment in the individual home. As a result, the homeowner agrees to forego a portion of the increase in home value, but has no current payment obligations. With home prices increasing significantly in 2021, existing contract portfolios performed very well. New capital entered the asset class in the form of both term securitization and warehouse lending arrangements. This asset class remains relatively new, but should see continued growth in 2022.

Fix-and-Flip Loans

While the past year witnessed continued economic and market disturbances across the country, the fix-and-flip/bridge loan market remained robust overall. Originations and related secondary market trading, financing and securitization activities continued their strong pace and the outlook for 2022 is generally optimistic. The asset class, in general, has seen an influx of new purchasers and investors as well as an increase in financing activity, which bodes well for the new year as long as originations can keep pace. Relatedly, the appetite for assets in this space has grown to the extent that we have seen the acquisition of a number of fix-and-flip/bridge loan originators by investors and purchasers to more fully capture production rather

FORECAST FOR 2022 CONTINUED

than relying on secondary market whole loan purchases. The general housing market has seen a continued dearth of housing supply so fix-and-flip/bridge loan market participants may be able to take continued advantage of this opportunity in various geographic markets.

Early Buy-Out Loans

The volume of transactions in early buy-out ("EBO") forward mortgage loans from Ginnie Mae MBS exploded in mid-2020 on the heels of the pandemic. That trend continued strong through 2021 as bank and non-bank Ginnie Mae issuers alike bought out their delinquency pipelines. EBO loans are attractive to investors due to the gain on sale realized when re-pooling reperforming loans and protections accorded EBOs through FHA/VA/USDA guaranty and insurance programs. In the past 18 months, we have assisted clients in developing bespoke platforms to allow investors to navigate regulatory hurdles and access the EBO market through leveraged transactions funded by repurchase facilities and securitizations, including in one of the largest bulk EBO purchases on record. We have acted as initial purchasers' counsel in some of the first post-pandemic forward EBO securitizations, allowing issuers to obtain better pricing in the capital markets as opposed to continuing to finance EBO portfolios. The pace of buy outs has slowed toward the end of 2021, but approximately $60 billion (UPB) of delinquent loans remained in Ginnie Mae MBS as of November 2021. The bulk of those loans likely need modifications at this point, which can only be performed after the loans are bought out. Although the precise amount is uncertain, there could be an additional $100 billion (UPB) in EBOs currently sitting on servicer balance sheets waiting to be re-pooled. Based on these metrics, we anticipate EBO transaction volume will remain elevated for at least the next year before gradually slowing to pre-pandemic levels.

Fintech

Payments platforms and credit card products were active in 2021. Hunton Andrews Kurth's 2021 activities in the fintech area included, among other things, representing online lenders and loan sellers in securitizations and whole loan sales, advising online platforms on federal and state regulatory compliance and related matters (including investigations), developing flow purchase programs for online platforms and their investors, advising lenders to online lending platforms, establishing funds to invest in US fintech assets, advising offshore fund and nonfund investors in US federal income tax aspects of investing in US marketplace loans and other fintech assets, and representing banks providing origination services and warehouse programs to online lending platforms. Our representation of investors in unsecured consumer loans particularly increased in 2021, and we believe this will be an area of increased investment activity in 2022.

European Securitization Market Update

2021 saw solid issuance levels in securitisation and structured finance issuance. Issuance levels in RMBS were less high than levels in previous years, but increased levels in new products and asset classes compensated. For example, issuance in the SME, green mortgage, social housing and business interruption loan markets were encouraging. ESG became more relevant in the securitisation markets in Europe particularly in the RMBS, CMBS, CLO and covered bond markets.

Geographically, issuance levels were good in Ireland, United Kingdom and France although they were less good in Italy despite some growth in the NPL markets there.

Hunton Andrews Kurth's London office continued to assist investment banking, issuer/originator and investor clients across a number of asset classes in Europe and US across a range of markets including the RMBS, CLO, CMBS and insurance-linked securities markets. The office continued to provide advice on the regulatory implications of the European and UK Securitisation Regulations which impact on both European and US ABS issuance. The office was particularly active in advising buy-side clients investing in new and innovative asset classes.

THOUGHT LEADERSHIP

In 2021, our lawyers spoke on panels, were quoted in industry publications, and authored client alerts covering a range of topics in the structured finance and securitization industry:

- **Tom Hiner** was quoted in *Asset-Backed Alert*, "Farm-Loan Securitizations Begin To Sprout," December 2021.
- **Brent Lewis** was a speaker for a PLI webinar on *New Developments in Securitization* 2021, in November 2021.
- **Amy McDaniel Williams** was quoted in *Structured Credit Investor*, "A Bumpy Road Ahead for Shift to Post-LIBOR World," in October 2021.
- **Rudene Mercer Haynes** was the moderator for *The Road to Health Equity* webinar hosted by the VCU Massey Cancer Center in October 2021.
- **Amy McDaniel Williams** and **Tina Locatelli** were speakers for a National Business Institute webinar on *LIBOR to SOFR: What Borrowers, Lenders and Their Attorneys Need to Know*, in August 2021.
- **Amy McDaniel Williams** was a speaker for a Strafford webinar on *Phaseout of LIBOR: Navigating the Final Stages, Implementing Alternative Reference Rates and Fallback Language*, in July 2021.
- **Tom Hiner**, **Peter Partee** and **Kim MacLeod** were presenters for the webinar on the *Introduction to MSR Financing*, in June 2021.
- **Rudene Mercer Haynes** was a speaker for the *Higher Group Masterclass: Profiles in Leadership Series*, part of the Grace E. Harris Leadership Institute's Higher Ground Women's Leadership Development Program, in June 2021.
- **Tom Hiner** was quoted in *Asset-Backed Alert*, "Mortgage-Warehouse Trusts Taking Shape," in May 2021.
- **Amy McDaniel Williams** was a speaker for the ABA Business Law Section's Virtual Spring Meeting on the topic of *Current Developments in Securitization*, in April 2021.
- **Tina Locatelli** was a moderator for *SOFR Standpoint Part II: A LIBOR Transition Discussion*, in April 2021.
- **Amy McDaniel Williams** organized, *Spring Forward*, a program hosted by the Securitization and Structured Finance Committee of the American Bar Association's Business Law Section. The program consisted of substantive sessions for securitization and structured finance practitioners to converge and discuss hot topics facing the industry. **Tina Locatelli, Peter Partee** and **Scott Kimpel** were speakers. The programs were hosted in February, March and April 2021.
- **Tom Hiner** was quoted by *Asset-Backed Alert*, "Energy-Infrastructure Offerings Back on Tap," in March 2021.
- **Amy McDaniel Williams** was quoted by *American Banker*, "Calls Intensify for Congress to Intervene on LIBOR," in March 2021.
- **Amy McDaniel Williams** was quoted by *Structured Credit Investor*, "Congress to Rescue LIBOR-Based Contracts, But Questions Remain," in March 2021.
- **Rudene Mercer Haynes** was a speaker for the Virginia Flood Awareness Week Roundtable Discussion, *The Impacts of Place, Space, Climate Change and Race*, in March 2021.
- **Mike Nedzbala, J.R. Smith, Amy McDaniel Williams, Jennifer Daglio** and **Derry Sandy** were speakers at the webinar, *Ginnie Mae and Early Buyout (EBO) Financing*, in February 2021.
- **Amy McDaniel Williams** was a speaker for a UNC webinar on *Sinking the Ink: eNotes, eMortgages, and Hybrid Closings Amid COVID-19 and Beyond*, in February 2021.
- **Tina Locatelli** was a moderator for the *SOFR Standpoint Part I: A LIBOR Transition Discussion*, in February 2021.
- **Rudene Mercer Haynes** served as a panelist for a discussion with the First Lady of the United States, Dr. Jill Biden, at VCU Massey Cancer Center in February 2021.
- **Rudene Mercer Haynes** presented a webinar, *Facts and Faith Friday's*, featuring Dr. Anthony Fauci in January 2021.

THOUGHT LEADERSHIP CONTINUED

- **Kendal Sibley** was a panelist for *Evaluating the Current Tax Landscape for REITs and Dealing with the Issues* at the Real Estate M&A and REIT Transactions Conference in January 2021.
- We launched "Wisdom Wednesdays," an informal training session that offers insights on a variety of topics relevant to mortgage warehouse finance. Hunton Andrews Kurth lawyers and clients of the structured finance and securitization team participated in weekly presentations to share their perspectives on topics such as mark to market and margin calls; disbursement and account control agreements; Ginnie Mae buyouts; securities vs. whole loans repos; accounting and financial covenants; managing deals from the business perspective; interest rate risks and hedging; financial institution risk; and gestation financing. Speakers in 2021 included firm attorneys **Amy McDaniel Williams, Pater Partee, J.R. Smith, Jason Harbour, Erick Carlson, Enyonam Enninful, Bryon Mulligan, Jendy Daglio, Cary Tolley, Jake Johnson, Josh Venne, Mike Nedzbala, Tom Hiner, Erin Fonté, Whitney Nixdorf, Hillary Patterson, Leslie Okinaka, Heather Bravi, Andrew Blanchard, Shannon Daily, Eric Fidel, Kate Eberhardt, Carlton Goss, Serena Mentor, Josh Milgrom, Catherine Freeman, Jonathan Kim, Sandy Collins, Ruby Wang, Will Van Thunen, Diana Dominguez, George Zhu, Brit Dufilho** and **Kim MacLeod**, and outside speakers Chris Diamond, Heather Anderson, Sanjeev Khanna and Matt James.

Client Alerts and Publications

Tax Implications of the Build Back Better Act, November 2021

LIBOR is Staying!, September 2021

It's Time for Term SOFR (for Some), August 2021

Tax Implications of President Biden's Proposed American Jobs Plan and American Families Plan, June 2021

President Biden's Proposal to Enhance Financial Account Information Reporting Regime on Form 1099, June 2021

New York Enacts LIBOR "Fix", April 2021

Tax Implications of the American Rescue Plan COVID Relief Bill, March 2021

Finally, LIBOR's End is Certain. Are You Ready?, March 2021

IRS Extends COVID-19 Relief for Securitizations, January 2021

RANKINGS AND AWARDS

Over the past year, our structured finance team and individual lawyers have received a number of awards or recognitions and are consistently ranked among the top legal advisors in industry rankings and league tables.

- In Asset-Backed Alert's 2021 year-end league tables, the firm claimed its first league table victory among firms representing underwriters, with 144 deals and a total issuance value of almost $80 billion. The firm also made a strong showing on the issuer side, maintaining our second place ranking with 97 deals and a total issuance value of almost $44 billion. The rankings represent the top-performing legal advisors based on the volume of asset-backed securities (ABS) and mortgage-backed securities (MBS) offerings completed during 2021.
- The firm received a Band One ranking by *Chambers USA* for Capital Markets: Securitization, with ten lawyers receiving individual rankings.
- The firm received a Tier One ranking by *The Legal 500* for Structured Finance, with seven lawyers receiving individual accolades.
- The firm was recognized as a "Leading Law Firm in US Securitization Industry" by *Asset-Backed Alert*.
- The firm was a finalist for "North American Law Firm of the Year" at the Structured Credit Investor's 2021 Capital Relief Trade Awards.
- **Amy McDaniel Williams** was appointed to the Board of Directors of the Structured Finance Association ("SFA"). The SFA Board consists of 44 individuals representing the key constituencies of the securitization industry who play a critical role in determining the strategic direction of the organization's advocacy and educational efforts. Her two-year term began on November 30, 2021.
- **Rudene Mercer Haynes** received numerous awards and recognitions in 2021 for her devotion to fostering an environment that embraces differences, promotes equality and engenders mutual respect, and for creating a culture of inclusion where everyone has the opportunity to excel in the legal profession. For example, Rudene:
  - was included in the Nation's Best 2020 Honorees by *Lawyers of Color*;
  - was named to the National Black Lawyers Top 100 list for Virginia;
  - was named in *Profiles in Diversity Journal*'s "2021 Women Worth Watching";
  - received the Humanitarian Award from the Richmond Chapter of the Virginia Center of Inclusive Communities, an award presented to those individuals who have demonstrated a personal commitment to the promotion of respect and understanding among people of diverse racial, ethnic, and religious backgrounds;
  - was named among *Virginia Lawyer's Weekly*'s 2021 "Influential Women of Law"; and
  - was named to *Virginia Business* magazine's inaugural "Women in Leadership" issue, which profiled some of the commonwealth's most impressive and accomplished female leaders across a variety of sectors.

DIVERSITY AND INCLUSION

We believe that the recruitment, retention, and promotion of a diverse and inclusive workforce optimizes our ability to deliver excellent client service, including alignment with our clients' interests of staffing their legal teams with diverse talent. We are committed to being intentional in terms of implementing and promoting professional development opportunities and programming designed to appropriately recognize our women and minority lawyers and to provide career-enhancing pathways that will motivate them to grow and prosper at the firm.

The following are some highlights of our team's recent activities and initiatives to support the firm's commitment to diversity and inclusion:

- Four of the last five most recent advancements to partner have been women or minority lawyers.
- Three out of the four most recent attorneys named counsel were women.
- Thirty-three percent of our core structured finance team self-identify as being diverse, and minorities are represented in every seniority category, from partner to law clerk.
- Nearly forty percent of our structured finance team are female.
- Nearly fifty percent of our partners are female, diverse or both.
- **Rudene Mercer Haynes** currently serves as a firm wide hiring partner. Most recently in this role, Rudene spearheaded a ten-week summer program, providing opportunities for summer associates to work across offices and teams, assist with pro bono projects, and participate in a firm-wide "Hackathon" to develop a plan to improve junior associate engagement, inclusion and investment. The summer associate class also had the opportunity to participate in two pilot programs: A Day in the Life of a Big Law Attorney and First-Generation Pathways.
  - A Day in the Life of a Big Law Attorney is a program aimed at building and strengthening relationships with affinity groups at law schools. The event initiated a conversation between law students and Hunton Andrews Kurth lawyers discussing the day-to-day details of big law attorneys and their career paths. The event was designed to help students navigate their legal education and futures in the law industry.
  - The First-Generation Pathways program consisted of a series of conversations between lawyers at the firm and first-generation law students at schools located near the Miami office. These initiatives are part of the firm's overall effort to increase diversity and inclusion in the legal industry and foster engagement with the next generation of leaders.
- **Janet Sadler McCrae** serves as co-chair of the New York office Diversity Initiative and co-head of attorney hiring for the New York office. Through these roles, Janet is committed to expanding the pipeline of diverse prospective candidates for the NYC office.
- **Brit Mohler Dufilho** serves on the Women's Subcommittee of the firm's Diversity & Inclusion Committee.

NEW TEAM PARTNERS AND COUNSEL

Serena Mentor
Partner, New York
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Serena Mentor was promoted to partner in April 2021. Serena is widely recognized for her securitization work and her provision of experienced, even-keeled practical advice to her clients.

Serena has long-standing experience representing issuers, sponsors, underwriters, agents, trustees and servicers in connection with public and private asset-backed securitization transactions, with a special focus on mortgage and mortgage-related assets. Her experience includes analyzing and interpreting various regulations, requirements and restrictions promulgated by regulatory and other governing authorities with respect to such securitizations. Serena also has significant experience representing clients in connection with secured lending and repurchase facilities and other financing transactions. Serena is an active participant on all RMBS-related committees of the Structured Finance Industry Group ("SFIG") and the Securities Industry and Financial Markets Association ("SIFMA").

Christian Pugaczewski
Partner, New York
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Christian Pugaczewski has nearly two decades of experience developing innovative financial products and documenting derivative transactions. Christian counsels hedge fund and broker-dealer clients in the development and structuring of new financial products, and the documentation of OTC derivative transactions including equity, credit, fixed income, commodity, and currency derivatives, variable prepaid forwards, accelerated share buy-backs, capped calls related to convertible bond offerings, heat rate call options, synthetic CDOs, as well as all prime brokerage products.

Shannon Daily
Counsel, Richmond
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Shannon Daily was promoted to counsel in January 2021. Shannon represents financial institutions and other players in mortgage warehouse facilities, including early buy-out and gestation facilities, and distressed lending transactions. She also has represented clients with respect to corporate bankruptcy proceedings, out-of-court restructurings, and legal opinions for complex transactions for asset based-lending, safe harbored financial contracts, asset securitizations, and other capital markets transactions.

William Van Thunen
Counsel, Richmond
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William Van Thunen was promoted to counsel in January 2021. Will's solutions-driven practice focuses on complex, high-stakes structured finance, asset securitization and whole loan and mortgage servicing rights purchase and sale transactions. Will represents leading banks and companies in diverse industries ranging from residential and commercial mortgage finance to renewable energy and coal mining and production. With experience representing clients on many sides of diverse transactions, Will is able to proactively anticipate many of the matters that arise in fast-paced negotiations and provide timely, knowledgeable and meaningful counsel with a focus on protecting his clients and achieving sound execution. Clients turn to Will when they need big picture advice delivered in a clear, practical manner and implemented with precision.

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ABOUT US

Hunton Andrews Kurth LLP is a longstanding market leader in structured finance and securitization. For more than 35 years, we have represented clients in connection with mortgage-backed and asset-backed securities offerings and other structured financing matters. Our practice is at the forefront of the development of securitization and structured finance techniques, and is closely aligned with our tax, restructuring, bankruptcy, regulatory, M&A, private equity, capital markets and energy practices. In a time that calls for creativity and opportunistic multi-disciplinary transactions, we are well positioned to invent and implement new structures with our clients.

Hunton Andrews Kurth is a global law firm of more than 900 lawyers handling transactional, litigation and regulatory matters for clients in a myriad of industries including energy, financial services, real estate, retail and consumer products and technology. Areas of practice focus include capital markets, mergers and acquisitions, intellectual property, P3, public finance and infrastructure, and privacy and cybersecurity. With offices across the United States and in Europe, the Middle East and Asia, we're aligned with our clients' businesses and committed to delivering exceptional service.

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