Prosecutors Eye Charges Over ‘Toxic’ MBS

The U.S. Justice Department is moving ahead with attempts to build criminal securities-fraud cases against individuals it suspects of knowingly selling bonds backed by faulty mortgages during the run-up to the 2007-2008 market crash.

The long-anticipated actions would focus on the bankers who assembled the transactions and the distribution professionals who placed them with investors, emphasizing instances in which they are believed to have known the underlying home loans were fraudulent or didn't meet stated underwriting standards. In preparation, the Justice Department has hired at least one structured-finance consultant to guide it through the deals’ structures and translate any alleged violations for use in legal proceedings, sources with knowledge of the matter said.

The complaints would go beyond the numerous cases in which banks have reached civil settlements with the government over their faulty mortgage-bond sales — proceedings that typically excluded accusations against individual workers.

Opportunities Abound for ABS Job Seekers

The job market for securitization professionals is off to a strong start in 2017. Executive recruiters report numerous openings at investment banks for individuals who can originate, structure, sell or trade asset- and mortgage-backed bonds, with many of the searches well under way. They also point to efforts among issuers, investors and vendors to bolster their workforces.

The activity marks a departure from years of sluggish hiring in the structured-finance field. It also contrasts with past staffing practices, which even in good years saw few job opportunities appear until after the annual bonus season wrapped up around the end of the first quarter.

“Everybody’s mood is better,” said Chad Dean, who heads recruiting firm Integrated Management Resources. “I’ve got about a half-dozen openings for ABS distribution, which is a half-dozen more than I had a year ago. I had nothing in that space.

Head of Agency Initiative Shown the Door

The founder of the Common Securitization Platform has been dismissed. A source close to the matter described a situation in which Adam Newman was forced out of his role as chief operating officer of Common Securitization Solutions, a joint venture between Fannie Mae and Freddie Mac that oversees the program from Bethesda, Md. Taking over most of his responsibilities is Al Barbieri, a senior vice president in Fannie’s capital-markets technology unit.

The source said Common Securitization Solutions chief executive David Applegate sought the change with a go-ahead from the operation’s board, which consists of two representatives from Fannie, two from Freddie and one from the agencies’ regulator, the Federal Housing Finance Agency. The source characterized the move as singling out Newman for what Applegate saw as a lack of progress in the Common Securitization Platform’s development and related cost overruns.

Prior to joining Fannie in 2010, Newman had a background in developing...
Apple Reboots Buying Program

Apple regained its appetite for securitized products late last year, potentially setting the stage for even larger purchases in 2017.

The technology giant, which invests through an asset-management unit called Braeburn Capital, held $20.2 billion of asset-backed bonds and non-agency mortgage securities on Dec. 31, up from $18.3 billion at the end of its fiscal third quarter on June 25. The growth was spread more or less evenly over that period, with $900 million added during the July-September stretch and $1 billion coming in the following three months.

Now, the talk is that Braeburn's securitized-product holdings could increase by another $5 billion by the end of the 2017 calendar year. The Cupertino, Calif., operation's holdings in June, meanwhile, were unchanged from three months earlier — suggesting that it had applied the brakes on an effort that added $5.4 billion to the portfolio since 2014.

Among recent transactions, sources identified Braeburn as a bidder on two credit-card securitizations totaling $3.1 billion that American Express priced on Feb. 13 with Barclays, RBC Capital, MUFG and Wells Fargo running the books. It also was spotted on a $1.4 billion auto-loan deal that Ford priced on Feb. 22 via Bank of America, HSBC, J.P. Morgan and Lloyds Banking.

On the mortgage-bond side, traders report that Braeburn has been looking at offerings including secondary-market sales of private-label securities and risk-transfer paper issued by Fannie Mae and Freddie Mac.

Braeburn employs a buy-and-hold strategy, with its securitized-product investments mainly encompassing positions that are liquid and highly rated — but not necessarily triple-A. The operation's return appears to place it among a large group of investors that are eyeing asset- and mortgage-backed securities as higher-yielding alternatives to comparably rated corporate bonds.

That would fit with earlier moves in which Braeburn sought added returns via investments in the top classes of deals backed by less-common assets, including whole-business cashflows, and the subordinate pieces of mainstream offerings.

Braeburn formed in 2006 to manage Apple's cash reserves. It has about $247 billion under management, including large positions in corporate bonds, U.S. Treasury bonds, agency mortgage paper and municipal securities.

Prosper Pact Spawns ABS Plan

A consortium that agreed on Feb. 27 to buy up to $5 billion of personal loans from Prosper Marketplace is preparing to securitize those accounts.

Word has it the group plans to start with a $400 million offering in April or May, working via a newly created issuing vehicle called Prosper Marketplace Indenture Trust. Expectations are that follow-up transactions would come at least quarterly, with each totaling about $250 million.

The loan-buying group — Fortress Investment unit New Residential, Jefferies, Soros Fund Management and Third Point — will play the role of issuer and will keep 5% stakes in the offerings in accordance with the Dodd-Frank Act's risk-retention rule. Prosper, meanwhile, has agreed to specific representations and warranties under which it will buy back loans that don't meet specified underwriting standards.

The deals will be rated, but there's no word on which agencies will assign the grades.

In a move to win over investors, the offerings also will feature DV01 as a loan-data agent. That role encompasses the generation of monthly loan-by-loan performance reports, as the New York firm already has done for issuers including Arcadia Funds, Jefferies and Social Finance. It also is set to appear on an upcoming deal from Marlette Funding.

The issuance plan mirrors one in which Citigroup completed four securitizations of Prosper loans totaling $1.3 billion after agreeing in 2015 to buy an unspecified volume of the originator's accounts. That program, Citi Held for Asset Issuance Trust, stopped producing new deals in early 2016 after Moody's placed some of its subordinate notes on watch for downgrades amid signs of rising collateral losses.

Moody's eventually called off the action after collateral performance leveled off, and the deals continue to perform as expected. But the disruption, paired with a data-tampering scandal at rival Lending Club and other pressures, still contributed to a situation in which Prosper and other online originators found it harder to fund their businesses.

The environment has improved this year, however, as is evidenced by Prosper's big loan-selling agreement. That arrangement spans two years, with Credit Suisse, Deutsche Bank, Goldman Sachs and Morgan Stanley supplying $1 billion of warehouse funding to the buyers. It also gives the buyers warrants for shares representing up to 35% of Prosper's business, should they purchase the full $5 billion of loans.

AgriBank Bullish on Equipment Leases

AgriBank doubled its holdings of equipment-lease bonds last year, even as its overall portfolio of asset-backed securities shrank.

The farm-loan originator finished 2016 with $86.5 million of bonds backed by leases on large-ticket equipment items — up from $43.5 million a year earlier. Sources said the St. Paul, Minn., institution will continue buying equipment-lease securities this year, with an eye toward adding another $10 million to $15 million of the paper.

The overall value of AgriBank's asset-backed bond portfolio fell last year by $33.3 million, to $743 million. The shrinkage reflects the liquidation of a book of home-equity loan bonds and sales of auto-loan securities — by far the biggest component of its ABS portfolio. At yearend, the total value of its auto-loan bonds was $656.4 million, down from $724.6 million a year earlier.

AgriBank is the largest among a group of wholesale lenders that operate under the U.S. Farm System. Its asset-backed bond positions are held in an “available-for-sale” portfolio that totaled $14.8 billion at the end of 2016.
Card-Bond Issuers Setting the Pace

After a brief hiatus for the industry’s annual shindig in Las Vegas, the market for new asset-backed securities came back to life this week.

At least a dozen offerings were in the market, including a credit-card securitization from J.P. Morgan, auto-loan offerings from General Motors and Toyota, a deal backed by loans on mobile devices from Verizon and a transaction backed by small-business loans originated by Kabbage.

No deals priced last week, as industry professionals returned to work following the “SFIG Vegas 2017” conference, sponsored by the Structured Finance Industry Group and Information Management Network. But new issuance has been so robust in 2017 that the year-to-date total remains well ahead of last year’s pace.

Since Jan. 1, U.S. issuers have produced $45.2 billion of asset-backed bond offerings, compared to $31.9 billion during the same period in 2016, according to Asset-Backed Alert’s ABS Database.

Credit-card businesses have accounted for a disproportionate amount of overall volume, with $10.2 billion of bonds sold since the start of the year, compared to $1.6 billion in the year-ago period. Card-bond issuers have been buoyed by an exemption from the Dodd-Frank Act’s risk-retention rule, not to mention an ongoing spread-tightening trend that is driving issuance across asset classes.

Sources point to several factors that have pumped up demand for asset-backed paper since the start of the year, including increasing optimism about the U.S. economy in general and the financial sector in particular. More recently, traders have identified another factor: Investors are seeking higher-yielding products in the face of extremely tight spreads on unsecured corporate bonds.

According to Morningstar, the average investment-grade bond tightened by 5 bp to 118 bp last week following President Trump’s address to Congress on Feb. 28. That’s 50 bp tighter than the long-term average. High-yield spreads, meanwhile, came in by 24 bp to 360 bp, according to the Bank of America Merrill Lynch High Yield Master Index. That’s a full 220 bp below the 20-year average.

“Investors are looking for alternatives to balance out the books,” one source said. “They have become very uncomfortable with the amount of corporate investment at this stage in the credit cycle and at such tight levels.”

There are no signs that the issuance boom will subside soon. That said, the pace is expected to slow somewhat in the second half. S&P maintains a forecast for full-year asset-backed bond issuance volume of $205 billion to $215 billion, up 7-12% from $191 billion last year. While S&P predicts big annual increases for several asset classes, including credit-card bonds, it expects the volume of deals backed by auto loans, student loans and leveraged loans to be flat or even down for the year, according to managing director Darrell Wheeler.

For now, funding costs remain favorable for issuance. Take a securitization of prime-quality auto loans that Toyota priced on March 7 via underwriters Bank of America, RBC Capital and Sumitomo Mitsui Banking. A senior tranche encompassing triple-A-rated notes with two-year lives priced on the tight side of guidance, at 7 bp over swaps (see Initial Pricings on Page 10). “The deals are coming in a flurry, but they are also going very well,” one investor said. He noted that newly issued asset-backed securities lately have been pricing in line with spreads on the secondary market, where comparable paper typically trades about 5 bp tighter.

Litvak Case Cited as Precedent

Former Cantor Fitzgerald trader David Demos has become the first defendant in a criminal securities-fraud case to seek dismissal based on the outcome of Jesse Litvak’s prosecution.

Demos’ attorneys filed a motion to dismiss with the U.S. District Court in New Haven, Conn., on March 3, three months after the U.S. Justice Department accused him of overstating mortgage-bond prices to investors. Their argument: Litvak’s acquittal on nine of the 10 charges he faced set a precedent for similar proceedings.

Litvak, a former Jefferies trader, was convicted in the same court on a host of violations in 2014. But the ruling was vacated on appeal in 2015, setting the stage for a retrial that wrapped up on Jan. 26.

The final ruling saw Litvak convicted only of altering documents, while clearing him of allegations that he improperly boosted his commissions by overcharging clients for their mortgage-bond purchases. Almost immediately, industry participants predicted that defendants facing similar accusations would cite the outcome in their own prosecutions.

Indeed, Demos’ motion hinges on the idea that his charges mirror those in which Litvak was found not guilty, and that he wasn’t targeted for falsifying documents. “Because the prosecution lost [in the Litvak case] . . . none of the six charges against David can be proven,” Demos’ attorneys wrote.

Demos’ trial is scheduled to begin April 17.

Others expected to seek dismissals based on the Litvak case are former Nomura traders Michael Gramins, Tyler Peters and Ross Shapiro. Former RBS traders Matthew Katke and Adam Siegel, who already pleaded guilty to such charges, also could seek to have the charges dropped.

As for Litvak, he is appealing his conviction based on the argument that the documents he altered were tied to a trade in which he never was accused of wrongdoing. He faces up to 20 years in prison. His sentencing is scheduled for April 21.
Voya Branches Into Europe CLOs

**Voya Investment** is preparing its first European collateralized loan obligation.

The €400 million ($420 million) offering would be both backed by European assets and distributed in the region. Sources said New York-based Voya already is assembling a loan pool via a warehouse facility from Credit Suisse, with plans to bring the deal to market during the second quarter.

Voya long has been an investor in European corporate loans, with about $5 billion of such holdings. But its $8 billion CLO-management business has been limited to U.S. deals.

Most recently, Voya priced a $707 million CLO on Nov. 17 with Morgan Stanley running the books.

Voya's move into European CLOs comes amid an expected increase in offerings from the region, where the near-term pipeline contains some 20 deals. With supply currently running light and demand heavy, funding costs have been favorable for issuers — with triple-A-rated senior securities carrying 5.5-year lives pricing tighter than 100 bp over three-month Euribor.

Collateral supply also has been light, but Voya could have an advantage in that regard as a regular loan buyer.

Voya is a unit of the $450 billion Voya Financial, which spun off from ING in 2013. The operation's loan-management team is headed by Jeffrey Bakalar and Dan Norman, and includes senior CLO portfolio managers Mohamed Basma and Kristopher Trocki.

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No Tax Bounce for Subprime Autos

Performance indicators for securitized pools of subprime auto loans may miss their usual boost from income-tax returns this year. According to an index maintained by Fitch, losses among those portfolios increased 14 bp during the month ended Feb. 15 to an annualized 10.42%, one of the highest levels ever recorded. Delinquencies fell 25 bp to 5.35%, after reaching an all-time high in January.

Normally, the coming months would bring improvements in both figures as borrowers use tax refunds to catch up on their bills. But Fitch warns that a concentration of particularly weak borrowers underpinning deals completed in 2015 are in such dire financial circumstances that they will cancel out many of those benefits. Among prime-quality loans, losses rose 6 bp to an annualized 0.8%. That's highest level since February 2011, but remains below the historical average of 0.91%. Prime-loan delinquencies remained unchanged at 0.46%.

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Head ... From Page 1

new businesses outside the mortgage-finance industry. He proposed the creation of the Common Securitization Platform in 2011 and headed the initiative under the FHFA’s watch from 2013 to 2014, at which point he took the chief operating officer role at Common Securitization Solutions.

Applegate, a former GMAC chief, arrived from mortgage lender Homeward Residential around the same time.

The Common Securitization Platform originally was intended to centralize all issuance, payment, servicing and reporting functions for agency and non-agency mortgage bonds. But the sprawling and deeply secretive project was scaled back in 2015 to focus on the creation of a shared issuance, back-office and data-management program for Fannie and Freddie — whose servicing functions would remain separate.

Still, Common Securitization Solutions, Fannie and Freddie have yet to overcome undisclosed delays in developing the technology needed for all of those tasks. Meanwhile, Common Securitization Solutions’ expenditures have approached $500 million — a figure that climbs to almost $1 billion after direct outlays from the agencies are taken into account.

Costs in particular could receive more attention going forward, as Republican lawmakers renew efforts to cut government support of Fannie and Freddie under the Trump Administration.

The Common Securitization Platform also has been beset by a reluctance on Fannie’s part to share proprietary information, as well as concerns at the agency that bonds sold through a single-security program would price at higher yields than those it currently issues. Fannie has continued to resist despite an order to cooperate from FHFA Director Mel Watt.

In November, Freddie brought data-management and bond-administration functions for its agency mortgage securitizations onto the Common Securitization Platform. But technology delays are clouding projections for when it might begin issuing through the program, despite a current target date of 2018.

The FHFA also maintains a target of 2018 for Fannie to start using the Common Securitization Platform — a timeframe that industry participants are viewing as a placeholder in light of the agency’s opposition to the effort. 

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Graph: Prime and Subprime Auto Loans Performance Indicators

Source: www.fitchratings.com
CRG Preps Venture-Loan Deal

Speciality-finance shop CRG is preparing another securitization of loans to healthcare-technology companies.

The Houston venture-debt company, which priced its debut asset-backed bond offering in January 2016, is expected to return to the market in the coming months with a deal that could weigh in at more than $250 million. Goldman Sachs will run the books, as it did for last year’s $167 million transaction.

CRG, formerly known as Capital Royalty, is among a few companies that write loans to commercial-stage healthcare businesses — sometimes tapping securitization for funding. Others include Hercules Technology, Horizon Technology and Oxford Finance.

Since 2011, CRG and its peers have produced nine securitizations totaling $2.6 billion, according to Asset-Backed Alert’s ABS Database.

The talk at the Structured Finance Industry Group’s “SFIG Vegas 2017” conference, held Feb. 26-March 1 in Las Vegas, was that venture-debt firms likely would be drawn back to the market this year by strong demand from yield-starved investors. Bonds backed by venture loans, whose senior notes usually carry single-A ratings and have lives of 4-5 years, typically offer fixed-rate coupons of about 4%.

CRG and the others often originate loans via private equity funds, then securitize the assets to free up capital to write more loans. CRG, for instance, held a final close in January for a $1.25 billion private equity vehicle dubbed CRG Partners 3. The firm manages more than $3 billion overall.

In talks with investors, the issuers often highlight the fact that the collateral loans typically carry interest rates of 10-15%, yet have strong performance records. Kroll, which has rated several recent offerings, noted in a report on CRG’s deal last year that the company had originated $1.3 billion of loans, but never suffered a loss. That’s partly because CRG and its peers focus on healthcare businesses that already have revenue streams, but aren’t yet large enough to qualify for bank loans.

Investor interest in bonds backed by venture debt is part and parcel of strong demand for securitizations of leveraged loans to mid-size companies generally. At SFIG Vegas, “there was more interest in middle-market lending than I’ve ever seen at any conference,” said a collateralized loan obligation manager. “I was being asked very smart, very focused questions by investors. They had done their homework.”

The manager attributed the demand in part to the fact that lenders to mid-size businesses tend to hammer strong covenants into their deal documents, bolstering recoveries on defaulted loans.

Performance Slip for CLO Pools

The performance of assets backing collateralized loan obligations issued in the U.S. since the credit crisis deteriorated marginally in December. Defaults among collateral loans for those deals ticked up 10 bp to 0.12%, according to an index maintained by Moody’s, though the monthly reading remains well below the average for the year. Meanwhile, holdings of loans rated “Caa1” or lower rose 7 bp to 4.67%, continuing a trend that has seen the measure rise from 3.9% in January 2016. Analyst Haoning Ding said three borrowers largely were responsible for the higher defaults: TwentyEighty, whose debt is held by 57 CLOs; 21st Century Oncology, present in 43 pools; and Petroleum Geo-Services, whose debt underpins 71 deals. The downgrade of clothing-store chain J. Crew to “Caa2,” from “B3,” contributed to the expansion of the “Caa1” bucket, Ding noted.

CLO Weighted Average Rating Factor

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Source: Moody’s
Opportunities ... From Page 1

for years. Now all of a sudden the securities side is coming back out of nowhere.”

Dean also has received inquiries for professionals who can predict prepayments among securitized mortgages, a specialty where hiring has been virtually non-existent since the 2007-2008 market crash.

Several forces are contributing to the lush employment environment. Sales of new asset-backed securities are on pace to reach a post-credit-crisis high (see article on Page 3). Collateralized loan obligation volume also remains healthy. And there even are signs that the mortgage-bond market could emerge from hibernation.

The hiring plans — and to an extent, this year’s deal volume — also reflect expectations that the Trump Administration will roll back at least parts of the Dodd-Frank Act. Industry participants particularly are keeping an eye on the Volcker Rule, which restricts proprietary trading by banks.

That measure’s implementation in 2014 brought widespread layoffs among structured-product traders, and the thought is that banks already may be formulating plans to re-hire some of those individuals in anticipation that a reversal would set the stage for them to rebuild their bond inventories. “People are having conversations all over the place about the banks not wanting to be short-handed if Trump is able to pull off what he wants in regard to eliminating regulations. There is some real optimism out there. Banks are hiring again,” another recruiter said.

Some blemishes remain in the outlook, however. While job listings are more abundant, long-running cost restraints at the banks mean they mostly have sought junior and mid-level staff rather than highly paid senior professionals with more than 10 years of experience. Indeed, a recent college graduate could get his foot in the door at an investment bank with an annual pay package of perhaps $125,000. A vice president might find work for years. Now all of a sudden the securities side is coming back out of nowhere.”

ABS Recruiters

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See OPPORTUNITIES on Page 7
Opportunities ... From Page 6

today with yearly compensation of $300,000. But a managing
director who expects $1 million or more would have a harder time.

Across most of those positions, total compensation in 2016
was comparable to 2015 levels. When it came to bonuses, Bank of
America increased payouts last year amid reductions at Barclays
and Goldman Sachs. Deutsche Bank stood out for withholding
bonuses altogether while it dealt with a severe capital shortage.

Managing directors, again, were the most likely to take pay
cuts. They earned typical base salaries of $500,000 to $750,000
and bonuses of about $500,000 in 2016, down slightly from
the year before. “They’re not throwing money around, that’s
for sure. Many of their offerings are pretty skinny,” another
recruiter said of the banks.

What’s more, openings remain scarce in many pockets of
the market. For example, traders specializing in pre-credit-
crisis mortgage bonds have fewer options these days, now that
a disappearing supply of outstanding deals and diminished
opportunities for gains have prompted many banks and bro-
der-dealers to de-emphasize those products.

The frustrations — some lingering for years — already have
prompted many banking professionals to jump to investment
shops. Others have left the securitization business entirely.
David Castillo, a trader who worked as a managing director at
Odeon Capital until 2016, took a job at the beginning of this
year as an adjunct professor at West Los Angeles College. And

Peter Melichar left his job as Jefferies’ head CLO banker in
Europe last year to pursue a career as a musician and producer.

The banks face some obstacles in finding talent as well. For
example, Integrated Management’s Dean said hiring freezes in
recent years have created a situation in which many job can-
didates either are new to securitization or have many years of
experience — making it difficult to find individuals with the
right histories for mid-level positions.

The banks with job openings include Wells Fargo, which
needs a high-level executive in New York to oversee efforts
to revive a mortgage-bond issuing program it mothballed in
2012. Deutsche also is seeking a structuring specialist for its
asset-backed bond team in New York. Goldman is looking for a
CLO trader to come on board in New York as a vice president.

Rating agencies also have openings, in some cases for senior
executives. S&P, for instance, is looking for someone to head
business-development efforts for its CLO rating unit.

Lethargic hiring across the securitization industry in the past
several years was attributable to a number of factors, including
tepid new-deal volume and weak investment opportunities that
came with low interest rates. Banks also had to cut costs in the
face in rising regulatory expenses, including those tied to Dodd-

The most active recruiting firms in the securitization business
are listed in the table on Page 6. The listing primarily aims to cap-
ture those representing sell-side clients, as opposed to those who
work specifically with investors or service providers.

March 10, 2017

Asset-Backed
ALERT

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Prosecutors ... From Page 1

at those institutions.

One source, who spoke on the condition of anonymity, said the Justice Department is looking at employees of several banks. He declined to name them, but noted that the agency took the unusual step of naming former mortgage-bond banking head Paul Menefee and ex-trader John Carroll as defendants in a civil lawsuit filed against Barclays on Dec. 22 in the U.S. District Court in Brooklyn. The allegations are similar to those the Justice Department is eyeing in the individual criminal cases.

Any indictments likely would come via a task force the Justice Department set up in 2012 to pursue mortgage-fraud cases in the aftermath of the credit crisis. That operation already was behind the civil proceedings. Prosecutors in Brooklyn, meanwhile, were said to be readying criminal complaints as far back as 2015 following lengthy probes spearheaded by former Attorney General Loretta Lynch.

So why hasn't the Justice Department sought criminal prosecutions so far? One of the sources said it has taken this long to compile and review evidence from the civil actions that could demonstrate specific violations by individuals.

If convicted, the defendants likely would face maximum prison terms of 20 years per count, and potentially heavy fines.

The Justice Department's civil cases have led to a string of massive settlements, including agreements with Bank of America ($16.6 billion), J.P. Morgan ($13 billion), Deutsche Bank ($7.2 billion), Citigroup ($7 billion), Credit Suisse ($5.3 billion) and Goldman Sachs ($5 billion) — with some of those institutions targeted on subsequent occasions.

Each settlement was based on the core notion that the bank contributed to the housing crisis and knowingly defrauded investors by selling them “toxic” mortgage bonds. With the Justice Department noting in some of the cases that the payments didn't preclude it from following up with criminal charges, meanwhile, there long has been considerable noise about the potential for such actions.

But with no visible movement in recent years, many came to believe the task force's efforts were running out of steam amid personnel reductions within its ranks. To that end, some sources suggest the Trump Administration may de-emphasize such cases. “Unless there is a smoking gun, I do not think the new administration wants to move forward,” one structured-finance professional said.

The Obama Administration took a more aggressive approach, at least in communicating with the public. In a 2014 speech to the Mortgage Bankers Association, for example, Michael Stephens, the former inspector general of the Federal Housing Finance Agency, said securitization staff at banks “knew what they were doing, communicated that with one another, laughed about it and were more concerned about their bonuses than what was in those pools.”

Former Attorney General Eric Holder also pointed out his belief that J.P. Morgan “was not the only financial institution during this period to knowingly bundle toxic loans and sell them to unsuspecting investors.”

But the criminal cases that took shape under President Obama stayed away from accusations that individual bankers deliberately assembled mortgage-bond deals they knew would fail. Rather, prosecutors went after a few mortgage originators and, on the securitization side, took aim at secondary-market traders who allegedly applied improper markups to home-loan bonds when passing them on to investors.

The highest-profile of those cases involved former Jefferies trader Jesse Litvak. He was convicted of numerous violations in 2014, but was cleared of all but one of the 10 charges against him on Jan. 26. He now is appealing that ruling, with others citing his acquittals as grounds for the dismissals of charges they face (see article on Page 3).

Sources also are pointing to the Litvak case as evidence of how difficult it can be for criminal securities-fraud cases to stick, or even reach the level of indictments. “It’s true, they are trying,” one of the sources said, referring to the new wave of charges under consideration at the Justice Department. “There is an appetite to build cases in situations in which the behavior has been bad . . . I can’t tell you they are going to be successful, but I don’t think we’ve reached the end yet of personal culpability.”

Planning Your Travel Schedule? Check out the most comprehensive listing of upcoming securitization conferences around the world — in the Market section of ABAalert.com. Just click on “Conference Calendar.”
### Main Events

<table>
<thead>
<tr>
<th>Dates</th>
<th>Event</th>
<th>Location</th>
<th>Organizer</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1-3</td>
<td>Single Family Rental Investment Forum</td>
<td>Miami</td>
<td>IMN</td>
<td><a href="http://www.imn.org">www.imn.org</a></td>
</tr>
<tr>
<td>May 24-25</td>
<td>Investors’ Conference on CLOs &amp; Leveraged Loans</td>
<td>New York</td>
<td>IMN</td>
<td><a href="http://www.imn.org">www.imn.org</a></td>
</tr>
<tr>
<td>June 6-8</td>
<td>Global ABS 2017</td>
<td>Barcelona</td>
<td>IMN &amp; AFME</td>
<td><a href="http://www.imn.org">www.imn.org</a></td>
</tr>
<tr>
<td>Sept. 17-19</td>
<td>ABS East</td>
<td>Miami</td>
<td>IMN</td>
<td><a href="http://www.imn.org">www.imn.org</a></td>
</tr>
<tr>
<td>Dec. 3-5</td>
<td>CLO Summit 2017</td>
<td>Dana Point, Calif.</td>
<td>Opal Group</td>
<td><a href="http://www.opalgroup.net">www.opalgroup.net</a></td>
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</tbody>
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### Events in US

<table>
<thead>
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<th>Event</th>
<th>Location</th>
<th>Organizer</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 27</td>
<td>Understanding Securitization &amp; ABS</td>
<td>New York</td>
<td>Fitch Learning</td>
<td><a href="http://www.fitchlearning.com">www.fitchlearning.com</a></td>
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</tbody>
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### Events Outside US

<table>
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<th>Event</th>
<th>Location</th>
<th>Organizer</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 13-14</td>
<td>Covered Bonds: Credit &amp; Market Risk Workshop</td>
<td>Frankfurt</td>
<td>Fitch Learning</td>
<td><a href="http://www.fitchlearning.com">www.fitchlearning.com</a></td>
</tr>
<tr>
<td>March 16-17</td>
<td>Capital Structures &amp; Debt Products</td>
<td>Hong Kong</td>
<td>Fitch Learning</td>
<td><a href="http://www.fitchlearning.com">www.fitchlearning.com</a></td>
</tr>
</tbody>
</table>

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## INITIAL PRICINGS

### Verizon Owner Trust, 2017-1

**Priced:** March 7  
**Amount:** $1.3 billion  
**Collateral:** Device payment plans  
**Seller:** Verizon  
**Bookrunners:** Bank of America, Barclays, Mizuho, MUFG

<table>
<thead>
<tr>
<th>Class</th>
<th>S/F</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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<tr>
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<td>AAA</td>
<td>1,100.000</td>
<td>2.076</td>
<td>2.60</td>
<td>+30</td>
<td>Int. Swaps</td>
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<tr>
<td>B</td>
<td>AA</td>
<td>94.000</td>
<td>2.467</td>
<td>3.34</td>
<td>+55</td>
<td>Int. Swaps</td>
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<td>C</td>
<td>A</td>
<td>94.000</td>
<td>2.669</td>
<td>3.35</td>
<td>+75</td>
<td>Int. Swaps</td>
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</table>

### GM Financial Automobile Leasing Trust, 2017-1

**Priced:** March 7  
**Amount:** $1.2 billion  
**Collateral:** Auto leases  
**Seller:** General Motors  
**Bookrunners:** Deutsche Bank, Mizuho, SMBC Nikko, Wells Fargo

<table>
<thead>
<tr>
<th>Class</th>
<th>M/S</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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<tr>
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<td>A1+</td>
<td>182.000</td>
<td>1.000</td>
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<tr>
<td>A-2A</td>
<td>AAA</td>
<td>270.000</td>
<td>1.685</td>
<td>1.27</td>
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<td>+22 1 mo. Libor</td>
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<tr>
<td>A-3</td>
<td>AAA</td>
<td>387.840</td>
<td>2.071</td>
<td>2.19</td>
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<tr>
<td>A-4</td>
<td>AAA</td>
<td>80.000</td>
<td>2.275</td>
<td>2.58</td>
<td>+50</td>
<td>Int. Swaps</td>
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<tr>
<td>B</td>
<td>AA</td>
<td>59.360</td>
<td>2.495</td>
<td>2.67</td>
<td>+70</td>
<td>Int. Swaps</td>
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<tr>
<td>C</td>
<td>A</td>
<td>55.260</td>
<td>2.760</td>
<td>2.74</td>
<td>+95</td>
<td>Int. Swaps</td>
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</table>

### Toyota Auto Receivables Owner Trust, 2017-A

**Priced:** March 7  
**Amount:** $1 billion  
**Collateral:** Auto loans (prime)  
**Seller:** Toyota  
**Bookrunners:** Bank of America, RBC Capital, SMBC Nikko

<table>
<thead>
<tr>
<th>Class</th>
<th>M/S</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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<tr>
<td>A-2A</td>
<td>AAA</td>
<td>377.150</td>
<td>1.434</td>
<td>1.00</td>
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<td>A-2B</td>
<td>AAA</td>
<td>76.000</td>
<td>1.00</td>
<td>+7 1 mo. Libor</td>
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<tr>
<td>A-3</td>
<td>AAA</td>
<td>406.600</td>
<td>1.742</td>
<td>2.10</td>
<td>+7</td>
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<td>A-4</td>
<td>AAA</td>
<td>148.665</td>
<td>2.116</td>
<td>3.26</td>
<td>+21</td>
<td>Int. Swaps</td>
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</table>

### Westlake Automobile Receivables Trust, 2017-1

**Priced:** March 9  
**Amount:** $700 million  
**Collateral:** Auto loans (subprime)  
**Seller:** Westlake Services  
**Bookrunners:** BMO Capital, J.P. Morgan, Wells Fargo

<table>
<thead>
<tr>
<th>Class</th>
<th>S/D</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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<tr>
<td>A-1</td>
<td>A1+</td>
<td>194.800</td>
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<td>A-2A</td>
<td>AAA</td>
<td>246.960</td>
<td>1.794</td>
<td>0.95</td>
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<tr>
<td>B</td>
<td>AA</td>
<td>67.350</td>
<td>2.313</td>
<td>1.66</td>
<td>+70</td>
<td>EDSF</td>
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<tr>
<td>C</td>
<td>A</td>
<td>89.860</td>
<td>2.718</td>
<td>2.13</td>
<td>+100</td>
<td>Int. Swaps</td>
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<td>D</td>
<td>BBB</td>
<td>69.250</td>
<td>3.488</td>
<td>2.66</td>
<td>+165</td>
<td>Int. Swaps</td>
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<tr>
<td>E</td>
<td>BB</td>
<td>31.780</td>
<td>5.109</td>
<td>2.75</td>
<td>+325</td>
<td>Int. Swaps</td>
</tr>
</tbody>
</table>

### Chase Issuance Trust CHASEseries Class A, 2017-2

**Priced:** March 8  
**Amount:** $650 million  
**Collateral:** Credit cards  
**Seller:** J.P. Morgan  
**Bookrunner:** J.P. Morgan

<table>
<thead>
<tr>
<th>Class</th>
<th>M/F/D</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>AAA</td>
<td>650.000</td>
<td>5.00</td>
<td>+40 1 mo. Libor</td>
<td></td>
<td></td>
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</tbody>
</table>

### Avis Budget Rental Car Funding (AESOP) LLC, 2017-1

**Priced:** March 8  
**Amount:** $600 million  
**Collateral:** Auto-fleet leases  
**Seller:** Avis Budget Group  
**Bookrunners:** Bank of America, Credit Agricole, J.P. Morgan, Societe Generale

<table>
<thead>
<tr>
<th>Class</th>
<th>M/F/D</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>AAA</td>
<td>481.300</td>
<td>3.093</td>
<td>5.31</td>
<td>+90</td>
<td>Int. Swaps</td>
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<tr>
<td>A1/A/A(H)</td>
<td>70.380</td>
<td>3.443</td>
<td>5.31</td>
<td>+125</td>
<td>Int. Swaps</td>
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<tr>
<td>C</td>
<td>Baa3/BBB/BBB</td>
<td>48.320</td>
<td>4.193</td>
<td>5.31</td>
<td>+200</td>
<td>Int. Swaps</td>
</tr>
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</table>

### Kabbage Asset Securitization LLC, 2017-1

**Priced:** March 8  
**Amount:** $525 million  
**Collateral:** Small-business loans  
**Seller:** Kabbage  
**Bookrunner:** Guggenheim

<table>
<thead>
<tr>
<th>Class</th>
<th>Kroll</th>
<th>Amount</th>
<th>Yield</th>
<th>WAL</th>
<th>Spread</th>
<th>Benchmark</th>
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<tbody>
<tr>
<td>A</td>
<td>A</td>
<td>388.889</td>
<td>4.615</td>
<td>2.99</td>
<td>+275</td>
<td>Int. Swaps</td>
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<tr>
<td>B</td>
<td>BBB</td>
<td>83.333</td>
<td>5.865</td>
<td>2.99</td>
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<td>Int. Swaps</td>
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<td>C</td>
<td>BB</td>
<td>27.778</td>
<td>8.365</td>
<td>2.99</td>
<td>+650</td>
<td>Int. Swaps</td>
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<tr>
<td>D</td>
<td>B</td>
<td>25.000</td>
<td>12.365</td>
<td>2.99</td>
<td>+1050</td>
<td>Int. Swaps</td>
</tr>
</tbody>
</table>
WORLDWIDE ABS ISSUANCE

Year-to-date volume ($Bil.)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Public</td>
<td>20.9</td>
<td>14.4</td>
</tr>
<tr>
<td>US AAA</td>
<td>20.1</td>
<td>17.5</td>
</tr>
<tr>
<td>Non-US</td>
<td>12.7</td>
<td>16.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>58.7</td>
<td>48.7</td>
</tr>
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</table>

US NON-AGENCY MBS ISSUANCE
Volume in past 15 months ($Bil.)

SPREADS ON TRIPLE-A ABS

<table>
<thead>
<tr>
<th>Spread Type</th>
<th>Spread (bps)</th>
<th>Avg.</th>
<th>Week Earlier</th>
<th>52-wk avg.</th>
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</thead>
<tbody>
<tr>
<td>Credit card - Fixed rate (vs. Swap)</td>
<td>2.0</td>
<td>+14</td>
<td>+15</td>
<td>+20.5</td>
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<tr>
<td>Credit card - Floating rate (vs. 1 mn. Libor)</td>
<td>5.0</td>
<td>+31</td>
<td>+32</td>
<td>+42.4</td>
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<tr>
<td>Auto loan - Trancheed (vs. Swap)</td>
<td>2.0</td>
<td>+16</td>
<td>+17</td>
<td>+21.7</td>
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<tr>
<td>Auto loan - Trancheed (avg.)</td>
<td>5.0</td>
<td>+39</td>
<td>+40</td>
<td>+43.5</td>
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<tr>
<td>Swap spreads (bid/offer midpoint)</td>
<td>3.0</td>
<td>+21</td>
<td>+24</td>
<td>+33.2</td>
</tr>
</tbody>
</table>

5-YEAR FIXED CARD SPREADS

Last 15 months (basis points)

US CLO ISSUANCE
Volume in past 15 months ($Bil.)

NON-US ABS ISSUANCE
Volume in past 15 months ($Bil.)

ABS SECONDARY TRADING
Weekly volume reported to FINRA ($Bil.)

MBS SECONDARY TRADING
Weekly volume reported to FINRA ($Bil.)

Data points for all charts on this page can be found in The Marketplace section of ABAAlert.com
THE GRAPEVINE

... From Page 1

helping to launch a leveraged-loan origination business. He earlier handled buy-side tasks at MUFG, and spent time at Athilon, MBIA and S&P.

Deal-structuring specialist Adam Croskery stopped working at Natixis in late February. Croskery was employed in the bank’s London office since March 2015, following a stop at Credit Suisse in which he assembled securitizations of mortgages and auto loans. He also has worked at S&P and Gulf International Bank. His exit from Natixis came amid broad cost-cutting measures by the bank.

Cross River Bank has hired a capital-markets specialist. Gene Ostrovsky arrived at the Fort Lee, N.J., operation this week from Darien Rowayton Bank, where he was employed since 2015. Ostrovsky also has worked at Morgan Stanley, RBS and PricewaterhouseCoopers. Cross River’s businesses include acting as an originator of record, warehouse lender and occasional loan buyer for some 18 marketplace lenders — often handling accounts that end up in securitization pools. At Darien Rowayton, Ostrovsky helped oversee a student-loan bond program that has produced seven deals totaling $1.3 billion.

Brandon Chao arrived this week in the New York office of Alcentra, an asset-management unit of BNY Mellon that invests in junk rated credit instruments. Chao is focusing on structured products and corporate debt, the same areas he was covering at prior employer Omega Advisors since 2012. He also has worked at King Street Capital and Credit Suisse.

Bank of America has added a collateralized loan obligation structuring specialist to its ranks. Alfredo Moreira joined the bank’s New York office a few weeks ago from a similar post at GreensLedge Capital, where he was employed since 2014. Moreira was at Ernst & Young before that.

Managing director Howard Sysler is leaving Bank of America’s leveraged-loan sales desk, where he has been serving as a key contact for collateralized loan obligation issuers seeking to build asset pools for their deals. Sysler joined BofA’s New York office by way of the bank’s credit-crisis takeover of Merrill Lynch, where he started in 1996.

Sales-and-trading specialist Bharath Rajamani joined the London office of brokerage firm HPC last month, with a focus on branching into the mezzanine and equity pieces of asset-backed securities, mortgage bonds, collateralized loan obligations and whole loans. Rajamani most recently was employed in a similar capacity at interdealer broker Tradition, where he worked from 2010 until yearend 2016. He also counts ICP Capital and GE Capital among his former employers.

Former Prosper Marketplace capital-markets head Eric Thaller turned up at Los Angeles personal lender Sunbit on Feb. 12 in what appears to be a similar role. Thaller left Prosper in January. He was on board since 2013, overseeing relationships with buyers of the marketplace originator’s personal loans — including those that bundle the accounts into asset-backed bonds. He previously worked at Adelante Capital, Charles Schwab, Standard Pacific and AIM Investment.