

What Makes an Asset Class Suitable for Securitization?

Mark H. Adelson

Managing Director, Residential Mortgage Finance



Moody's Investors Service

The Investors and Issuers Workshop Series on the

Securitization of Emerging Asset Classes

Strategic Research Institute

June 29-30, 1998, The Marriott Marquis, New York City

Sampling of "Emerging" Asset Classes

- equipment leases (aircraft, medical, computers)
- student loans
- utility stranded costs
- small business loans
- franchisee loans
- airline ticket receivables
- unsecured personal loans
- "future" receivables (e.g., Mexican exports)
- structured settlements
- net interest margin
- health care receivables
- trade receivables
- entertainment royalties
- secured consumer loans (pianos, jet skis, etc.)
- delinquent tax liens
- "catastrophe" risk
- insurance premium loans
- mutual fund fees
- boat loans
- viatical settlements
- CLOs/CBOs



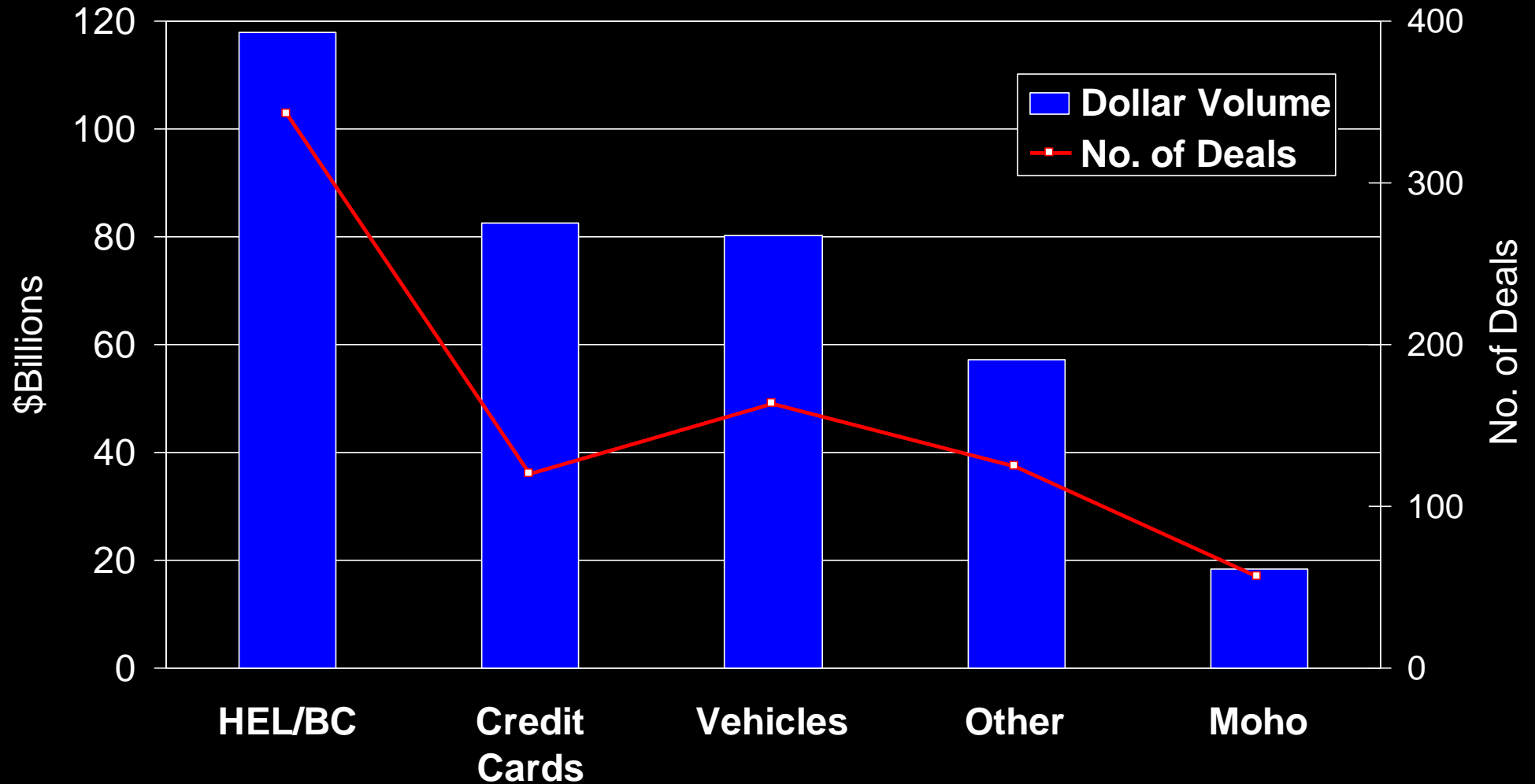
What's Hot

- Entertainment royalties
- Stranded costs
- Latin America
- Tax liens
- Non-performing receivables
- Catastrophe risk
- CLOs/CBOs
- Unwrapped HEELs
- Franchise loans
- Alternative student loans
- High LTV mortgages
- Net interest margin (NIMs)



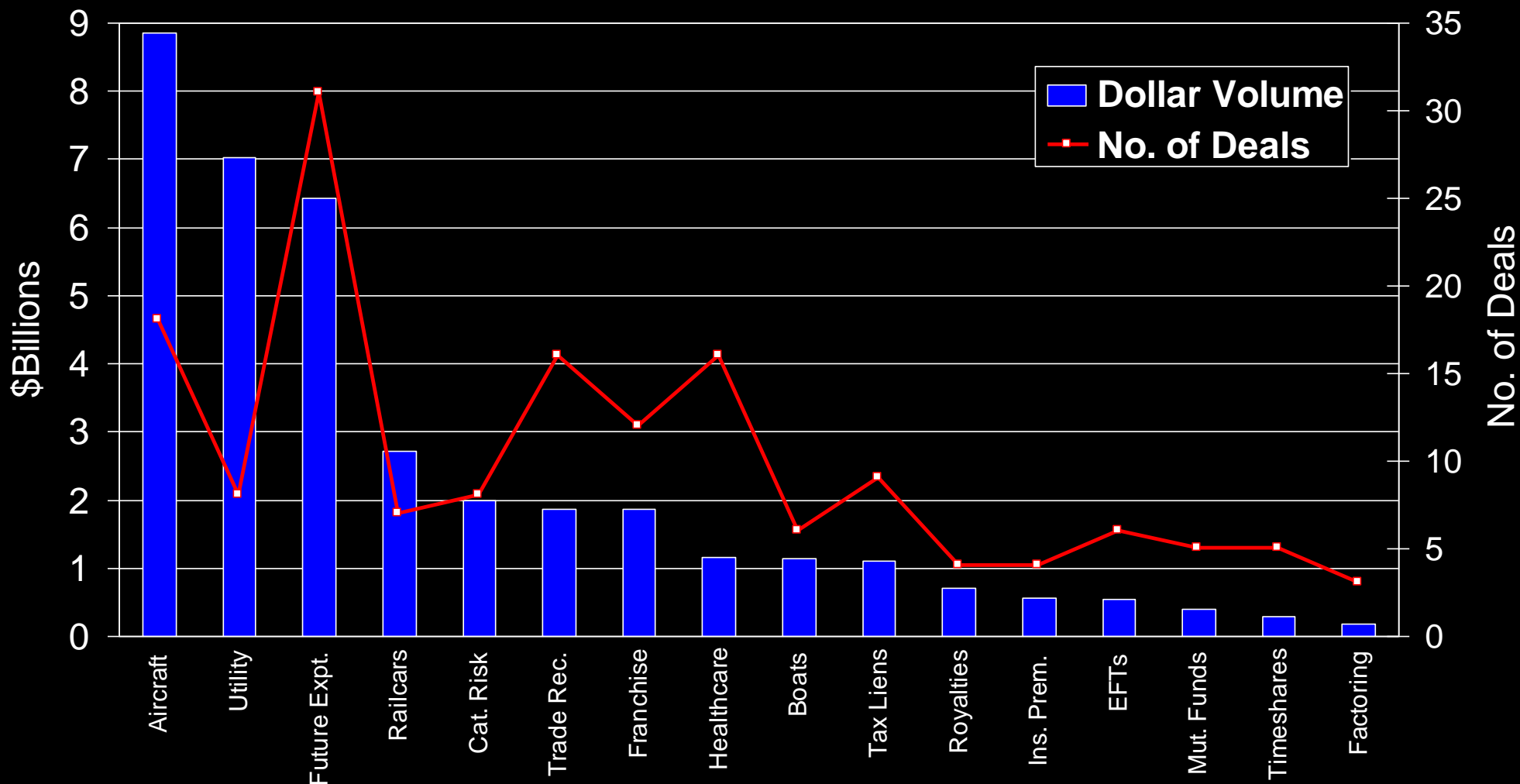
Term ABS Issuance in Major Asset Classes

Public deals only – Apr 96 through Mar 98



Term ABS Issuance in Selected Emerging Asset Classes

Public, private, and international deals – Apr 96 through Mar 98





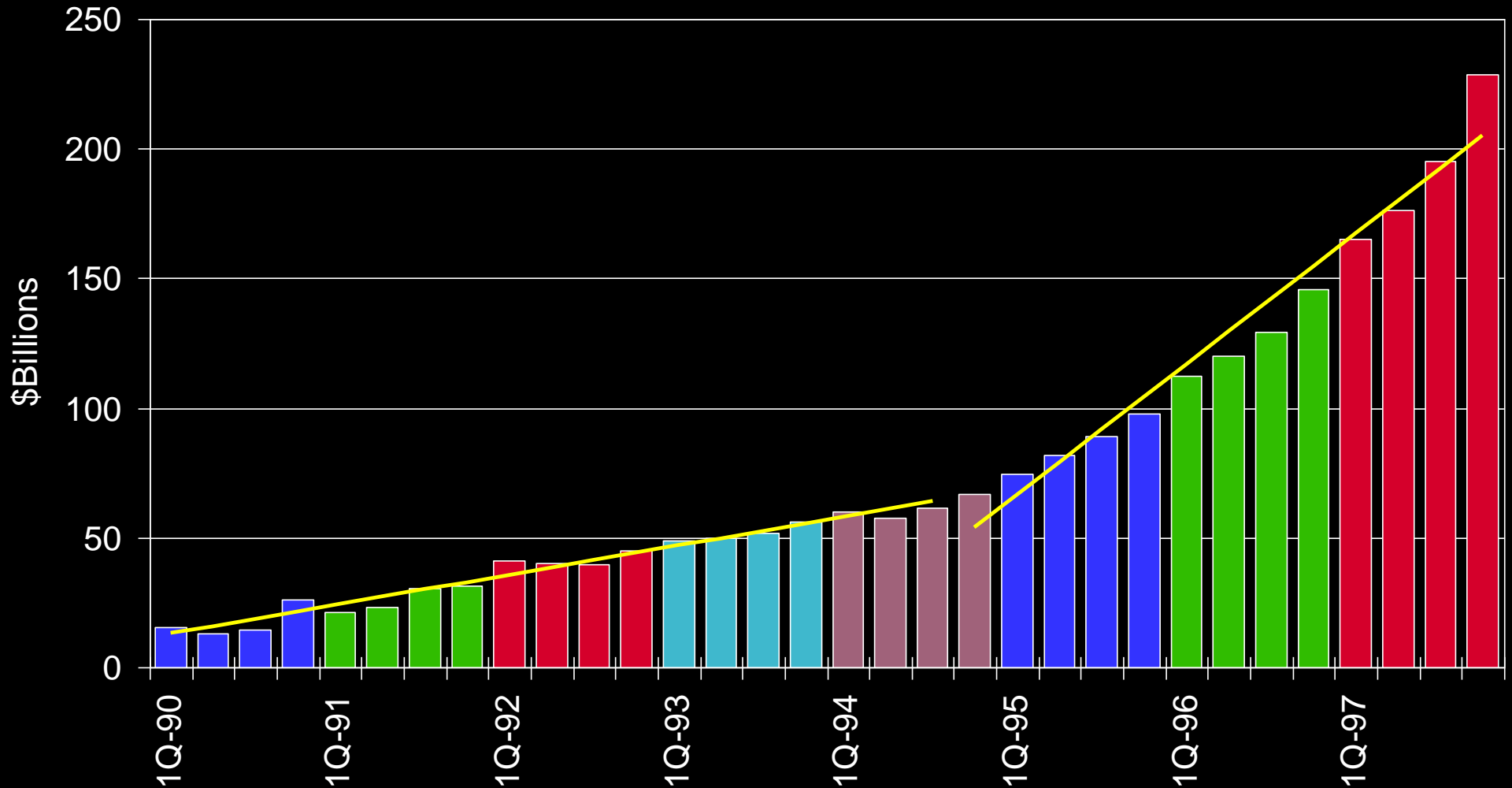
ABCP

the **Area 51**
of Securitization



Growth of the ABCP Market

Quarterly Average Outstandings

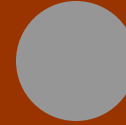
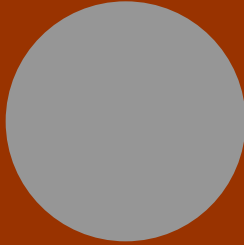
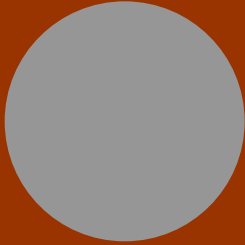
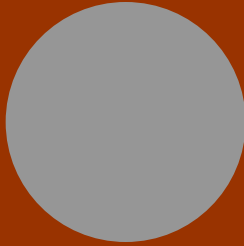
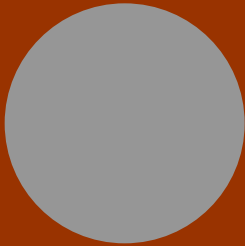
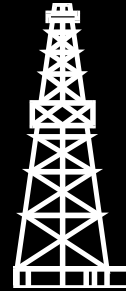
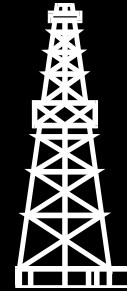
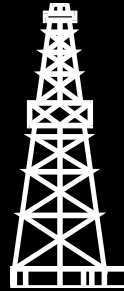
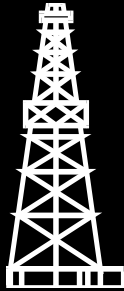
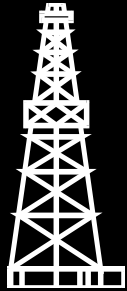
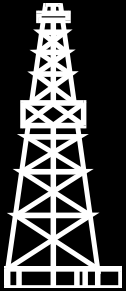


Key Favorable Features

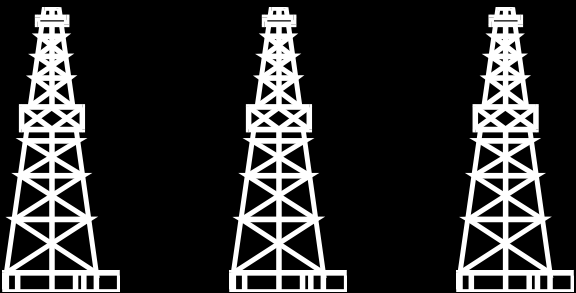
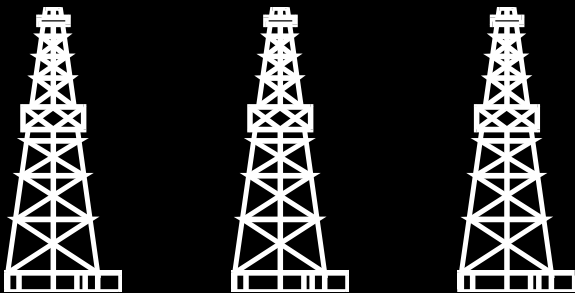
- Abundance
- Concentration
- Homogeneity
- Certainty / Accessibility



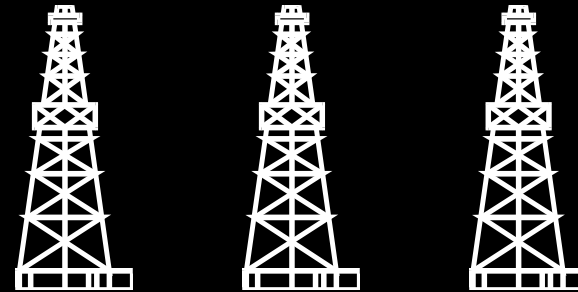
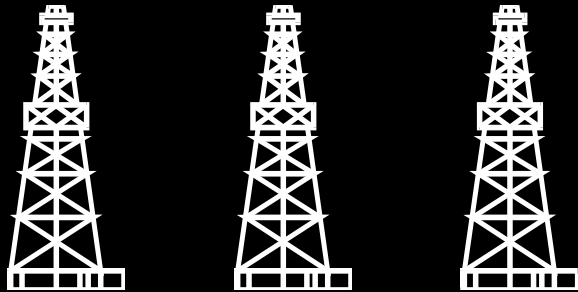
Abundance



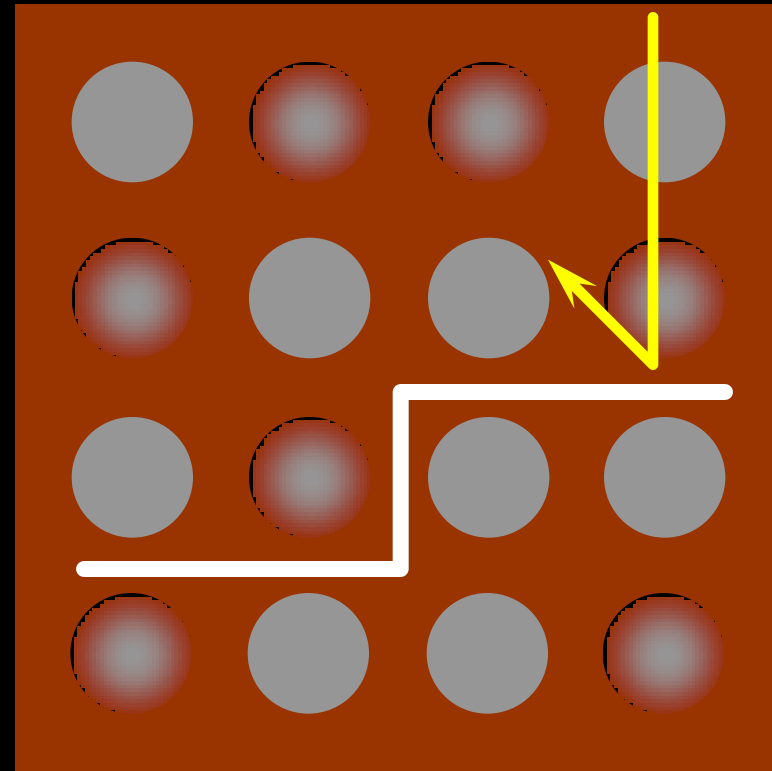
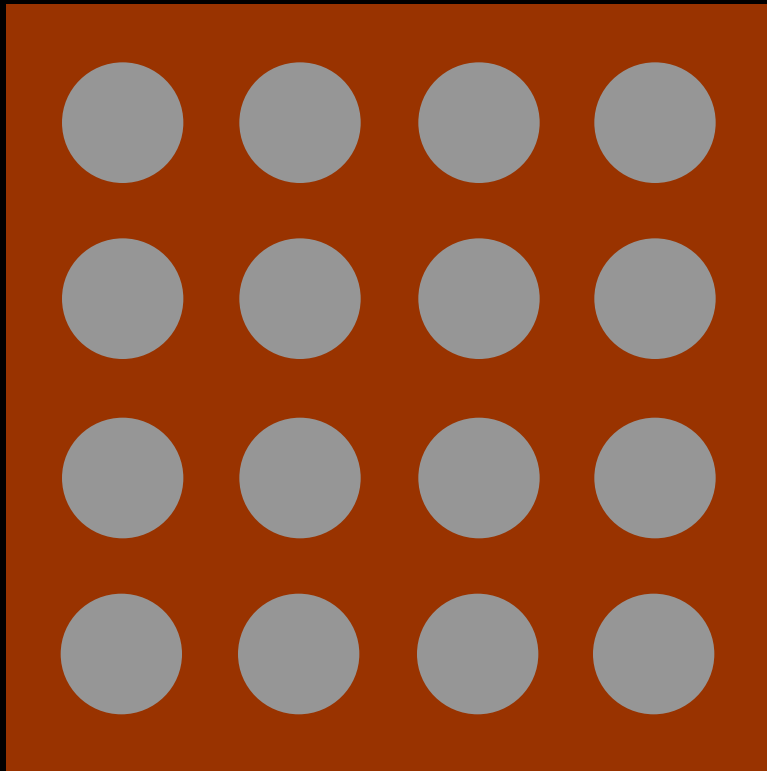
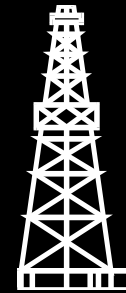
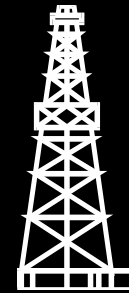
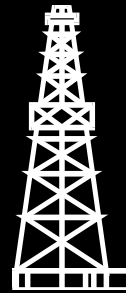
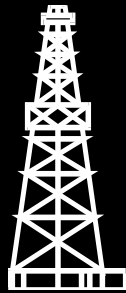
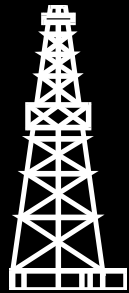
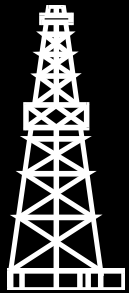
Concentration



Homogeneity



Certainty / Accessibility



Future Potential / On the Fence

- Ship finance
- Container finance
- Oil & gas royalties
- Oil & gas transmission
- Tax shelters
- ETCs
- Project finance
- REITS



Conclusion

- Opportunity in new asset classes
- Also challenges
- Key issue: will volume justify R&D?

