

U.S. Structured Finance Chart Book: October 2024

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Oct. 16, 2024

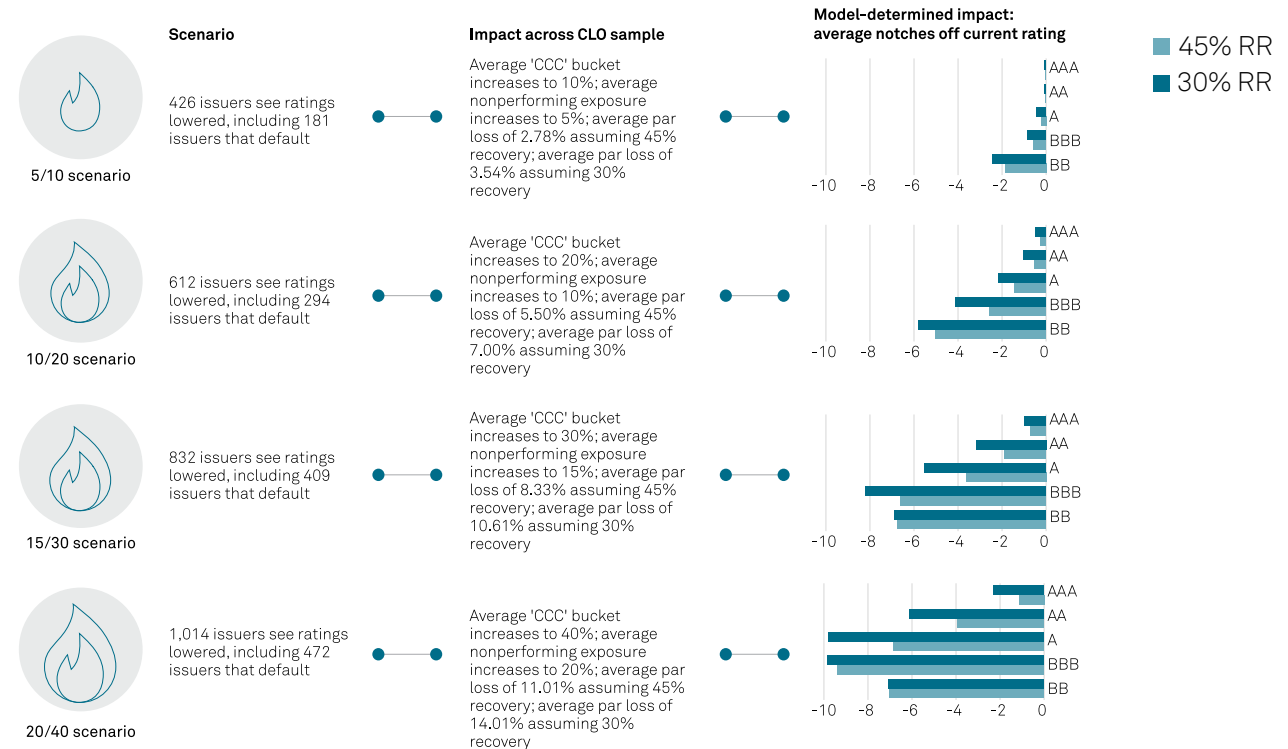




Highlights | Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades

- Following two years of higher-for-longer interest rates and economic uncertainty, the Federal Reserve cut rates by 50 basis points in September, providing a tailwind to collateralized loan obligation (CLO) collateral and corporate credit more broadly.
- As we've done in previous years, we generated a series of stress scenarios to see how our broadly syndicated loan (BSL) CLO ratings would perform in different economic environments. For this year's scenario analysis, we added scenarios with a 30% recovery assumption for defaulted assets alongside the 45% recovery assumption we've published in prior years.
- We also contemplated two new stresses where we notch the ratings on all obligors in BSL CLO collateral pools downward by one notch or two notches.
- As with our previous BSL CLO rating stress scenarios, the current analysis shows the CLO structure protecting senior noteholders, with more than 99% of CLO 'AAA' ratings remaining investment-grade even under our harshest scenario, where 20% of loans default with a 30% recovery and CLO 'CCC' baskets expand to 40%.

Summary of scenarios and rating impact (full sample)



RR--Recovery rate. CLO--Collateralized loan obligation. BSL--Broadly syndicated loan. Each scenario is based on default and 'CCC' category exposure assumptions with respect to the universe of obligors underlying our rated BSL CLO transactions (e.g., the "5/10" scenario assumes that 5% of BSL CLO obligors default and 10% see their ratings lowered to 'CCC'). We adjusted the ratings on as many CLO obligors as needed to make average CLO default and 'CCC' exposures reach the levels defined in each scenario, starting with rating adjustments for the weakest obligors by current rating and then loan price. Source: S&P Global Ratings.

[Access Article](#) >



Highlights | Thirty Years Strong: U.S. CLO Tranche Defaults From 1994 Through Third-Quarter 2024

- Since 1994, we have rated almost 20,000 U.S. CLO tranches totaling nearly \$1.5 trillion in issuance (including resets and refinancings). Through 30 years and several recessions, these CLO ratings have seen only a modest number of defaults, and they have outperformed most other rated asset types.
- The CLO 1.0 generation of transactions--those rated from the inception of the market in the mid-1990s through 2009--comprised 4,322 tranches from about 800 cash flow CLOs. The last of the 1.0 generation paid down in 2021, and its default history is complete.
- The CLO 2.0 generation of transactions began in 2010 with the reemergence of CLO new issuance in the aftermath of the Global Financial Crisis (GFC). There are several differences between CLO 1.0 transactions and post-GFC CLO 2.0 transactions. Key differences include:
 - Higher credit enhancement for CLO 2.0 rated notes, especially at the top of the capital structure.
 - CLO 2.0 collateral pools only include corporate loans and a small allocation to corporate bonds. Most CLO 1.0 transactions could invest up to 10% of their assets in tranches of other CLOs.
 - CLO 2.0 transaction documents incorporate lessons learned from the GFC.

U.S. CLO 1.0 and 2.0 default summary by original rating

	CLO 1.0			CLO 2.0		
	No. original ratings	No. defaults	No. currently rated	No. original ratings*	No. defaults§	No. currently rated
AAA (sf)	1540	0	0	4228	0	1917
AA (sf)	616	1	0	3364	0	1590
A (sf)	790	5	0	2794	0	1360
BBB (sf)	783	9	0	2622	0	1406
BB (sf)	565	22	0	2083	10	1097
B (sf)	28	3	0	410	11	173
Total	4322	40	0	15501	21	7543

*Original rating counts as of Sept. 16, 2024. §CLO tranche default counts as of Sept. 27, 2024.
Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

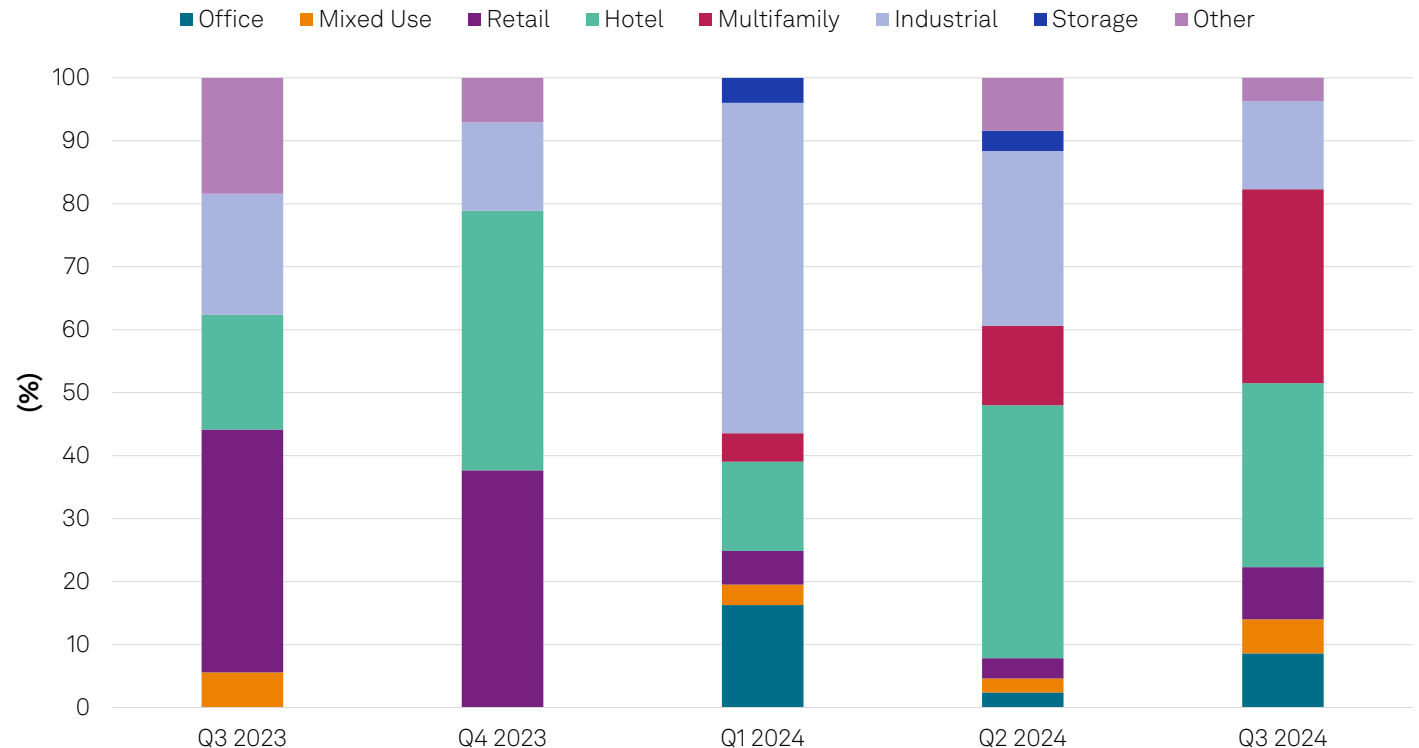
[Access Article >](#)



Highlights | U.S. CMBS Update Third-Quarter 2024: Issuance Remains Robust Despite Accelerated Office Downgrades

- Overall U.S. commercial mortgage-backed securities (CMBS) delinquency, special servicing, and modification rates continued to trend upward in the third quarter, driven mostly by office, though multifamily rates increased noticeably.
- Rating actions have been biased heavily toward downgrades, especially for single-asset single-borrower (SASB) office, and this trend will likely continue through year end.
- Rated exposure to Hurricanes Helene and Milton surpassed \$2 billion across several metros in Florida, Georgia, and the Carolinas. Insurance coverage should broadly help, but there may be underinsured properties in areas that are not flood prone.
- Overall issuance volume rose to \$29 billion from \$26 billion the previous quarter, comprising two-thirds SASB and one-third conduit. We raised our full-year new issuance forecast to \$90 billion from \$80 billion.
- We declined to give rating feedback on seven of the 27 single-borrower transactions priced in the third quarter, mostly because they were not covering debt service on day one and had some concentration risk.

Recent new issuance summary: SASB property type exposure



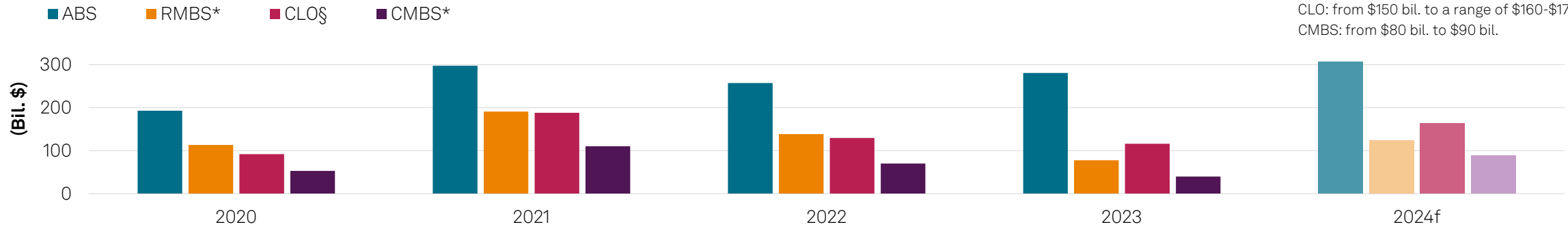
SASB--Single asset single borrower. Source: S&P Global Ratings.

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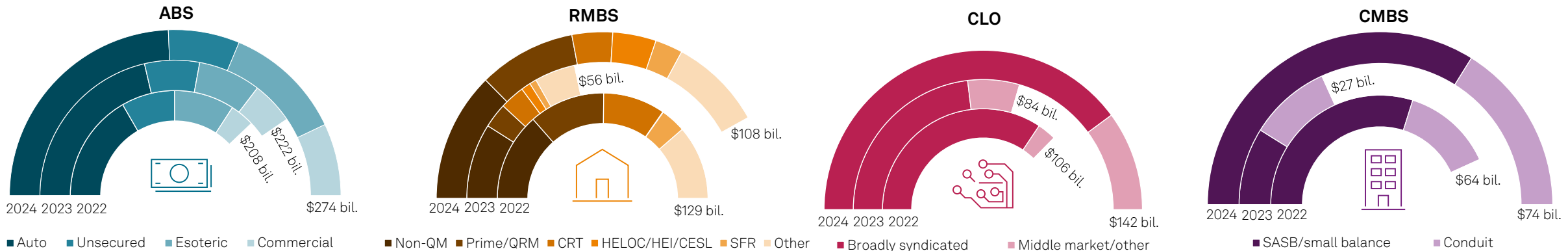
Market-Wide Structured Finance Issuance | Flurry Of Auto ABS, Esoteric ABS, And RMBS Pricings Spurred Lively New Issuance In September

Annual new issuance



New Issuance Forecast Revisions
 RMBS: from \$110 bil. to \$125 bil.
 CLO: from \$150 bil. to a range of \$160-\$170 bil.
 CMBS: from \$80 bil. to \$90 bil.

New issuance through the end of September

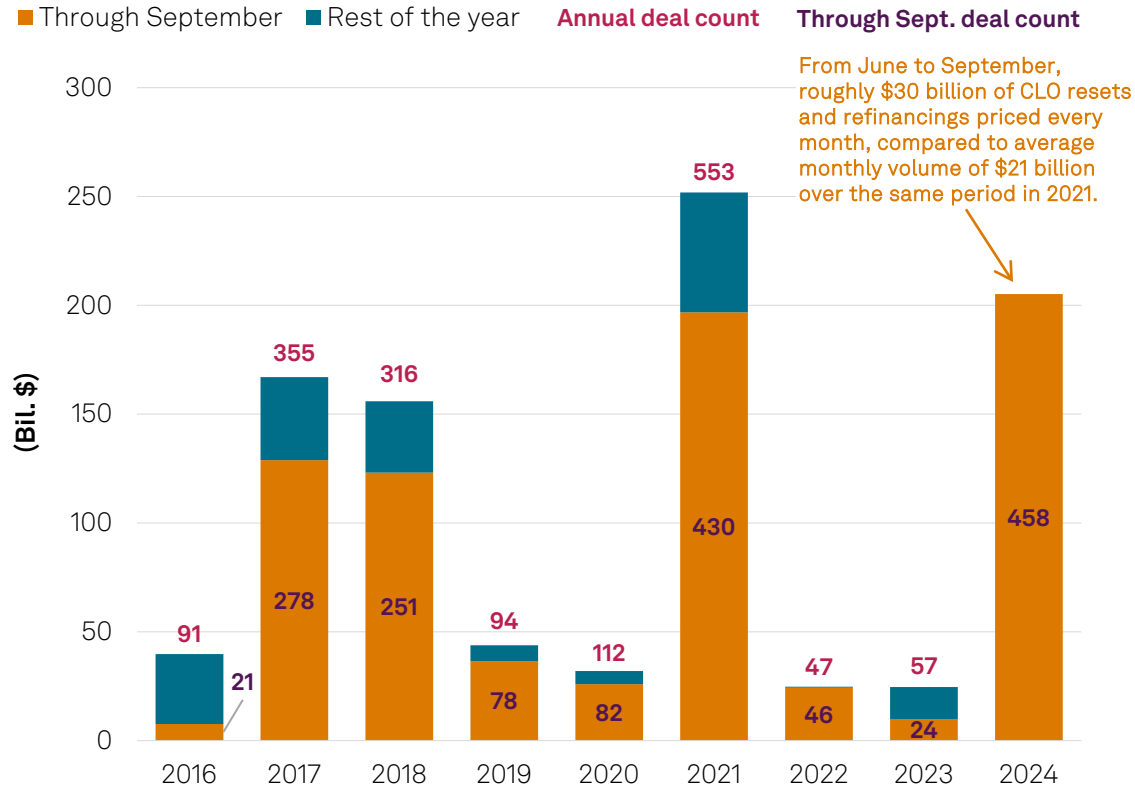


Note: Issuance volumes are rounded. New issuance volumes exclude CRE CLO transactions. *RMBS and CMBS issuance volumes exclude agency mortgage-backed securities. §CLO refinancing-reset volume is not considered new issuance. ABS--Asset-backed securities. RMBS--Residential mortgage-backed securities. CLO--Collateralized loan obligations. CMBS--Commercial mortgage-backed securities. Non-QM--Non-qualified mortgage. QRM--Qualified residential mortgage. CRE--Commercial real estate. f--Forecast. CRT--Credit risk transfer. HELOC--Home equity line of credit. HEI--Home equity investment. CESL--Closed-end second lien. SFR--Single-family rental. SASB--Single asset single borrower. Sources: S&P Global Ratings, Intex, Pitchbook LCD, Bloomberg, and Green Street.



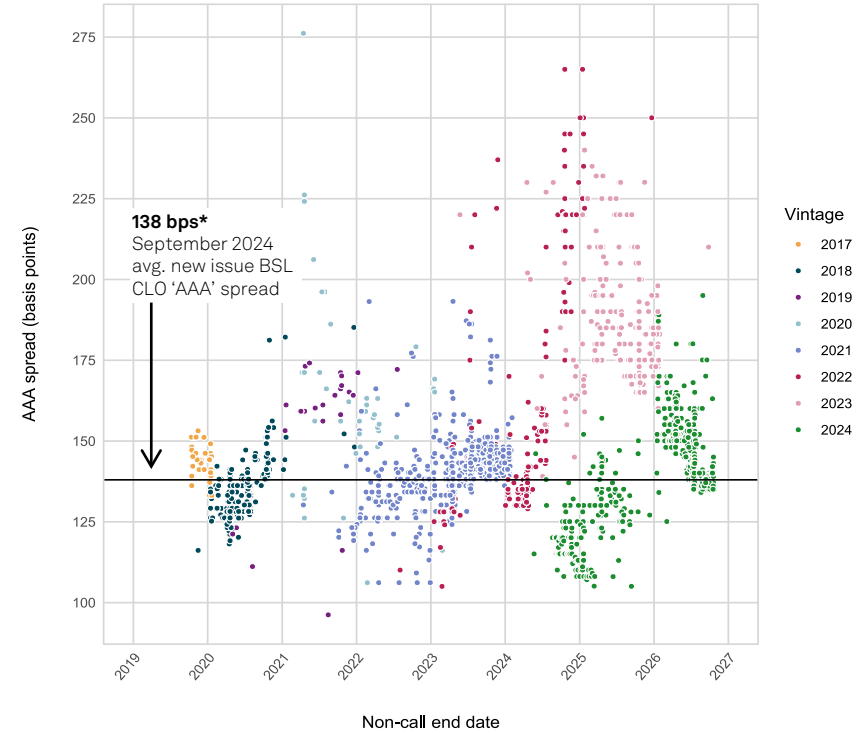
CLO Refinancings And Resets | Pricings Carry On At Breakneck Speed

CLO refinance/reset issuance volume



Sources: Pitchbook LCD and S&P Global Ratings.

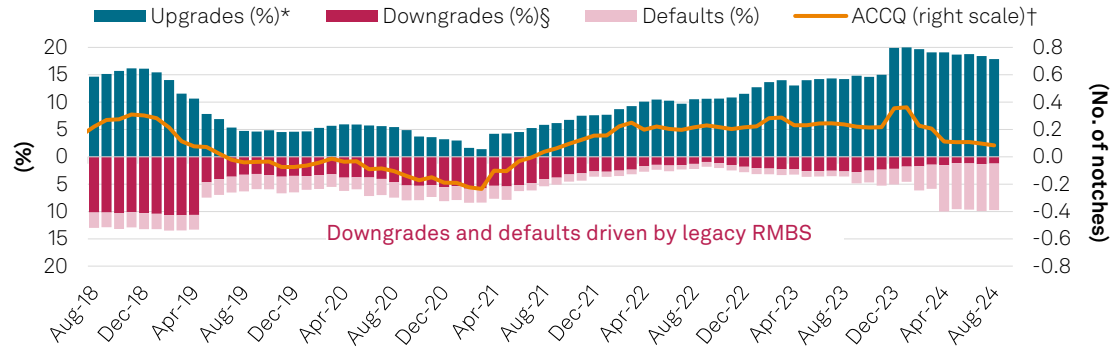
Outstanding U.S. BSL CLO 'AAA' spreads and non-call period end dates, by vintage



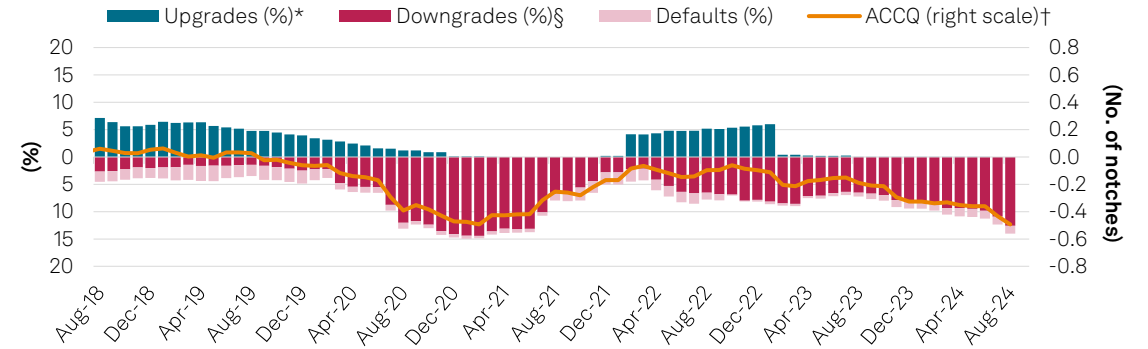
Data as of Sept. 30, 2024. *Market average BSL CLO 'AAA' spread calculation excludes refinances and partial refinances. Note: The spreads of reinvesting transactions and transactions within two years of their reinvestment period end date are plotted. The spreads of transactions that have already refinanced or reset previously are plotted (vintage is adjusted to reflect most recent iteration of the CLO). BSL--Broadly syndicated loan. CLO--Collateralized loan obligations. Bps--Basis points. Sources: Pitchbook LCD and S&P Global Ratings.

Ratings Performance | Average Change In Credit Quality By Sector

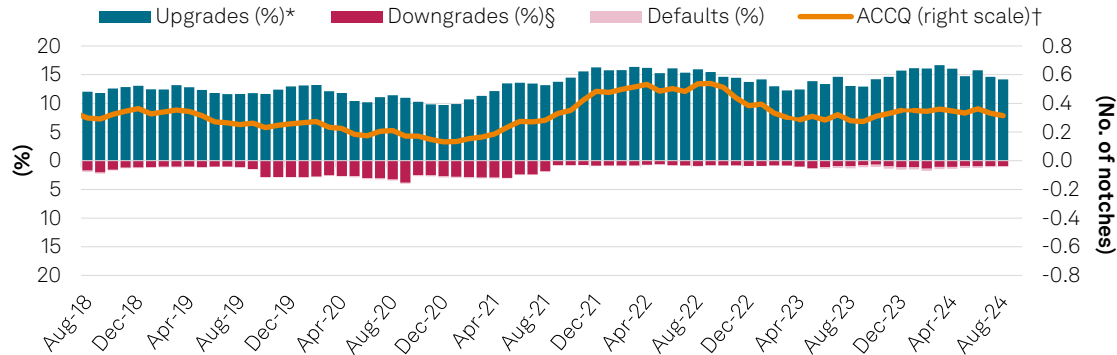
RMBS



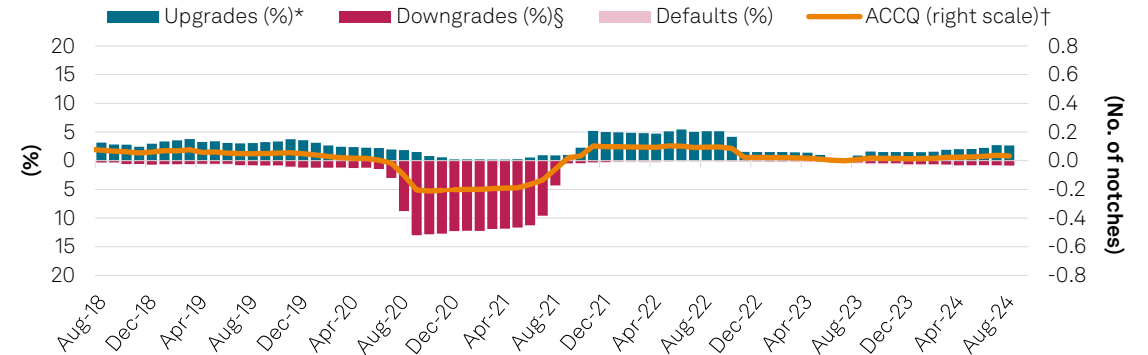
CMBS



ABS‡



CLO



*Total number of upgrades (downgrades, defaults) divided by the total number of outstanding ratings in the sector on a trailing-12-month basis. Securities whose ratings migrated to NR over each period are classified based on their rating prior to NR.
 ‡The downgrade proportion excludes defaulted tranches. †The average number of notches by which ratings across all tranches in each sector changed on a trailing-12-month basis. ‡ABS includes ratings performance data from esoteric asset classes.
 RMBS--Residential mortgage-backed securities. CMBS--Commercial mortgage-backed securities. ABS--Asset-backed securities. CLO--Collateralized loan obligation. ACCQ--Average change in credit quality. NR--Not rated. Source: S&P Global Ratings.

RMBS



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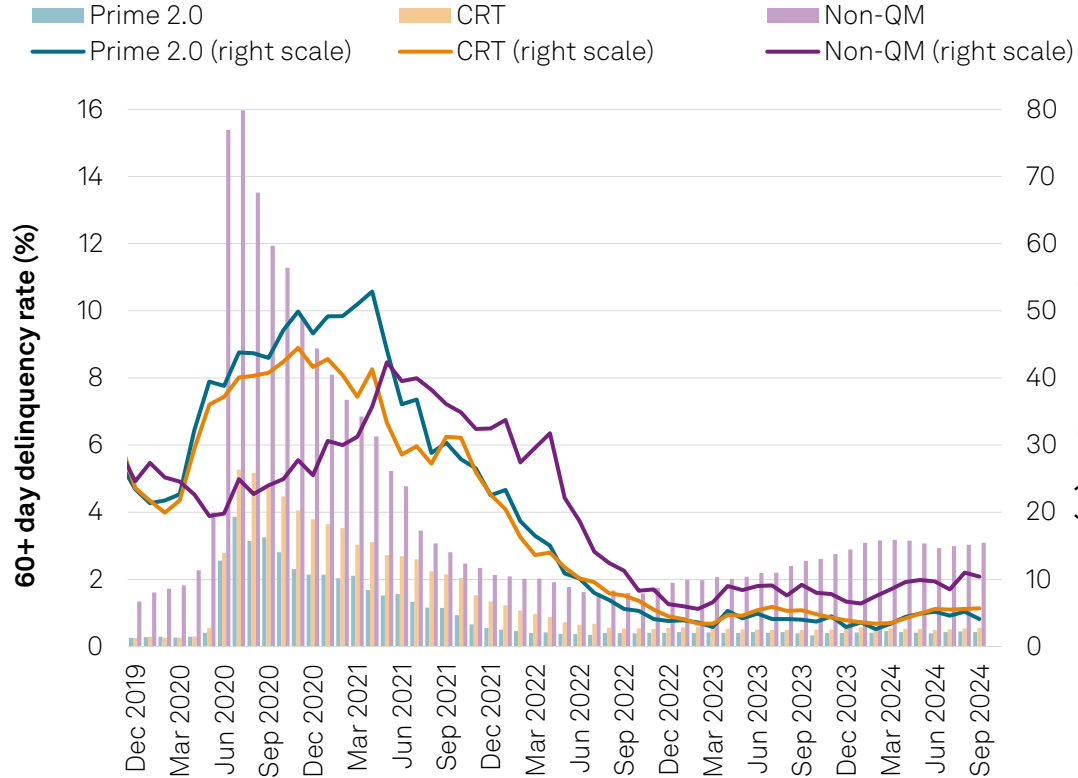


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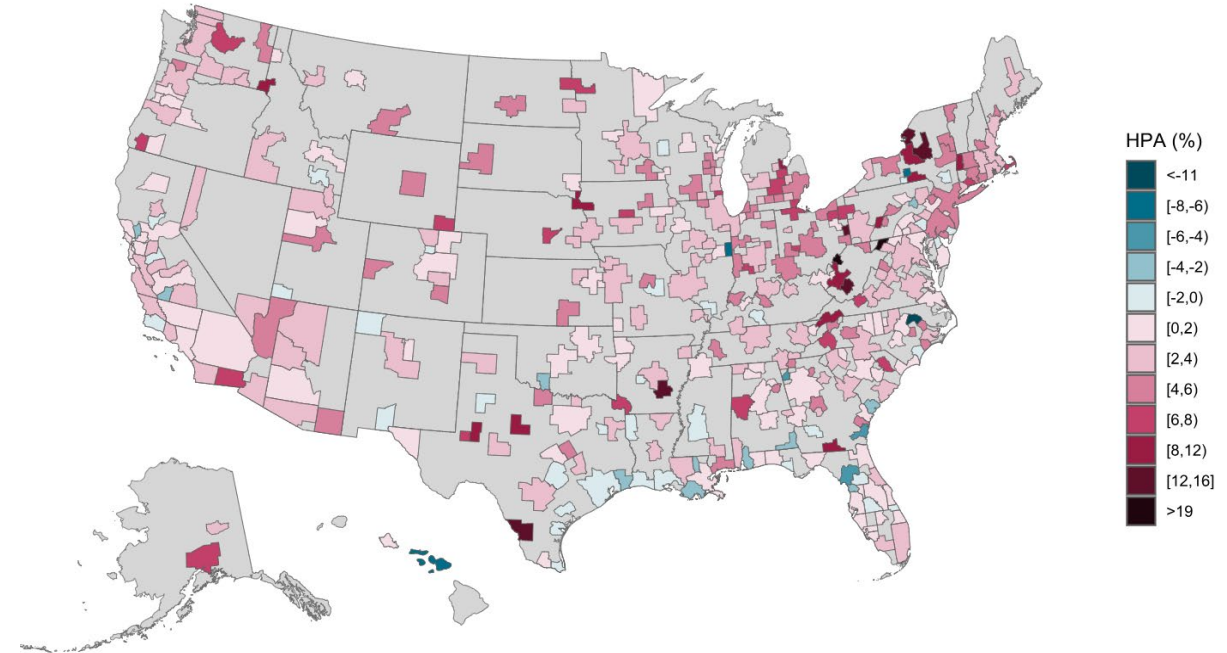
RMBS | Stable Collateral Performance; Solid Quarter-Over-Quarter Home Price Gains

RMBS collateral performance*



*Data as of Oct. 1, 2024. Based on loans backing RMBS transactions rated by S&P Global Ratings. RMBS--Residential mortgage-backed securities. CRT--Credit risk transfer. Non-QM--Non-qualified mortgage. CPR--Conditional prepayment rate. Source: S&P Global Ratings.

First-quarter 2024 to second-quarter 2024 HPA, by MSA*



*Ten MSAs depict combined data from two or more metropolitan divisions due to overlapping geographic locations. The HPA rate from the metropolitan division with the highest core city population was chosen for each combined MSA. MSA--Metropolitan statistical area. HPA--Home price appreciation. Sources: Federal Housing Finance Agency All Transactions Home Price Index and S&P Global Ratings.

CMBS



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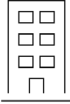
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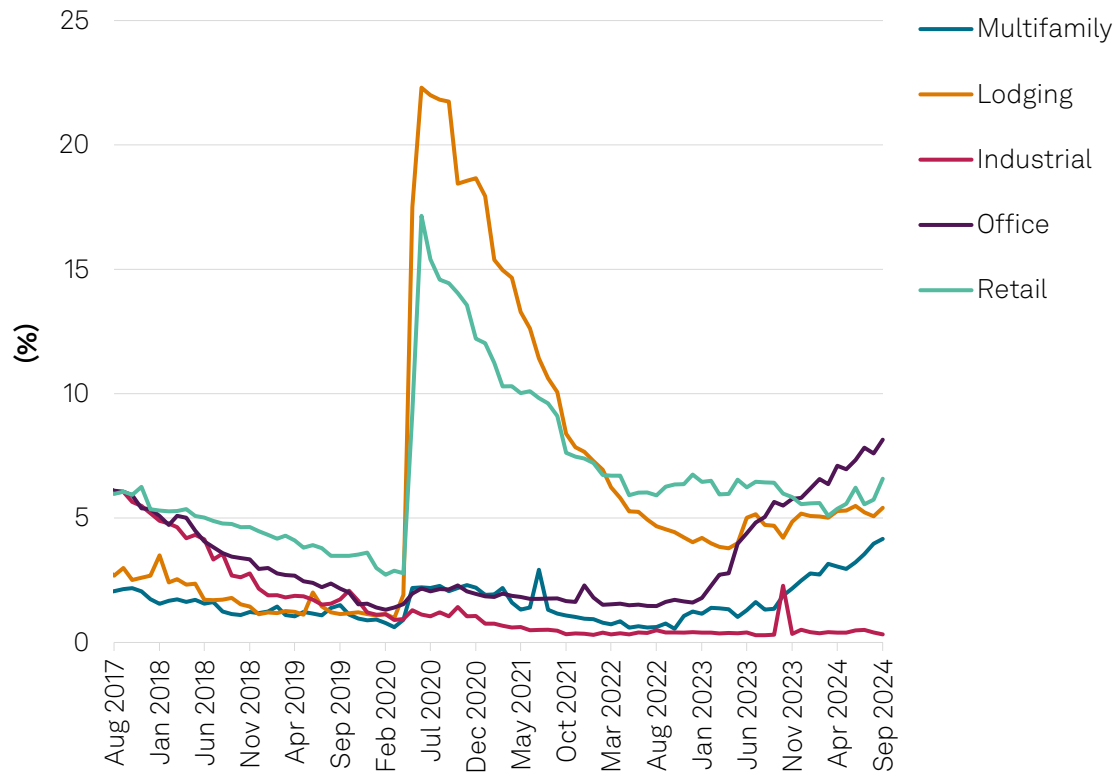
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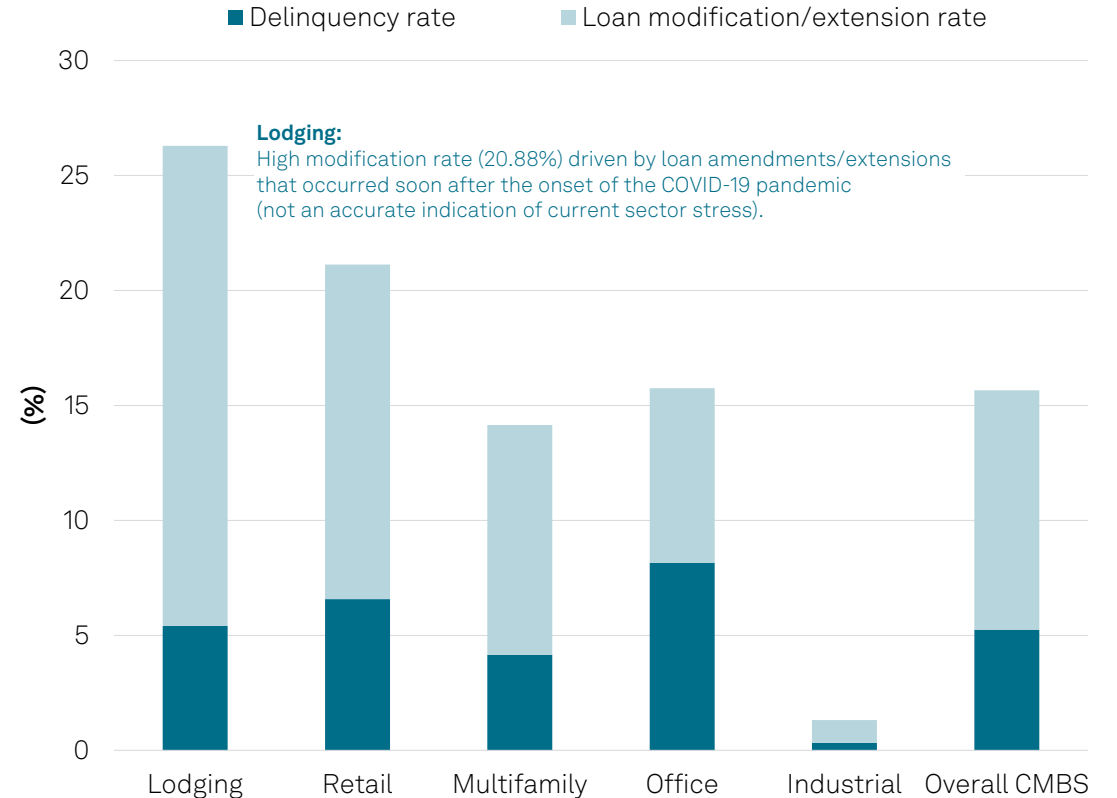
CMBS | Office Delinquency Rate Surges Past 8%

Delinquency rate by property type



Source: S&P Global Ratings.

Delinquency and modification/extension rate by property type*



*Data as of September 2024. Source: S&P Global Ratings.

ABS



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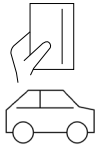
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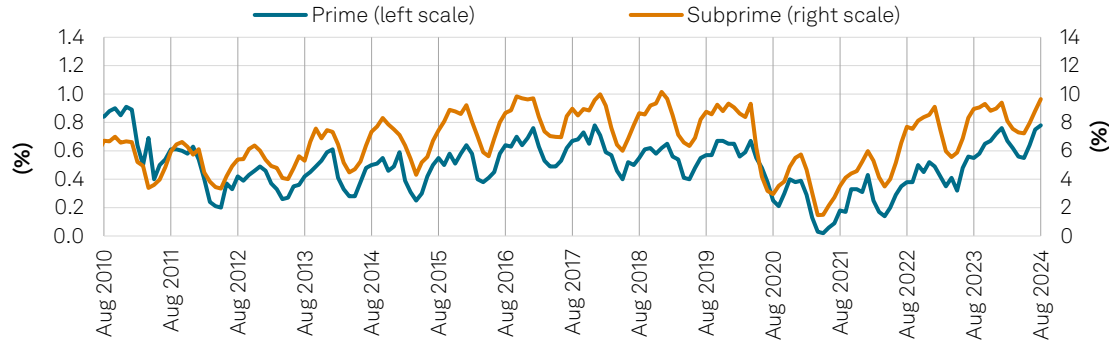
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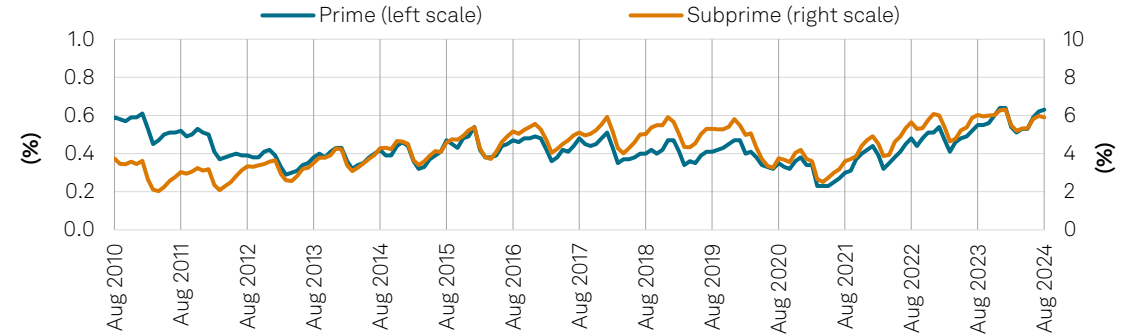


ABS | Auto Loan ABS Net Loss Rates Continue Drifting Upward; Delinquency Rates On Par With August 2023

Auto loan ABS net loss rates*

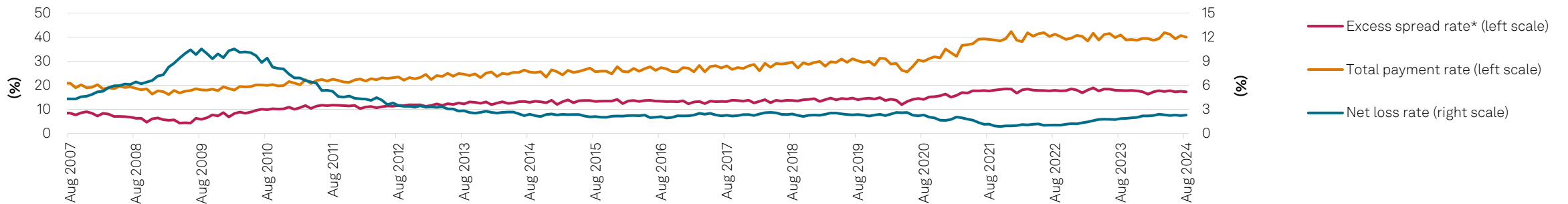


Auto loan ABS 60+ day delinquency rates*



*Based on auto loan ABS transactions rated by S&P Global Ratings. Monthly net loss rates are annualized. ABS--Asset-backed securities. Source: S&P Global Ratings.

Bankcard Credit Card Quality Index§



§Based on credit card ABS transactions rated by S&P Global Ratings. *Yield minus base funding rate minus charge-off rate. Monthly net loss rates and excess spread rates are annualized. Source: S&P Global Ratings.

Esoteric ABS



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✈️ Esoteric ABS | Overview Of S&P Global Ratings-Rated Corporate Securitizations

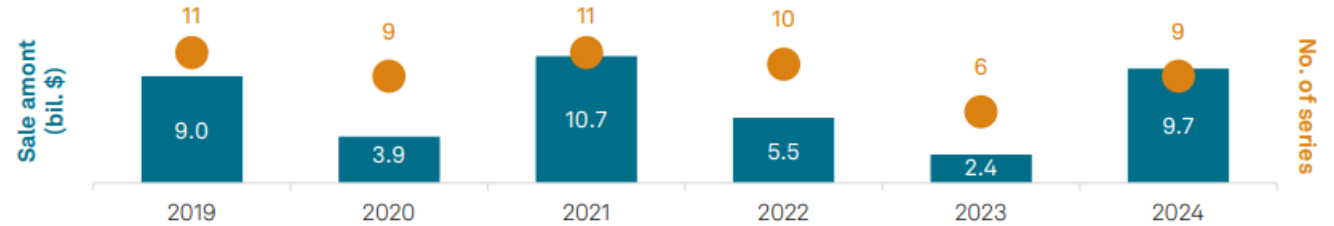
- So far in 2024, we have rated nine new series totaling \$9.7 billion in term debt, \$6.1 billion of which was from Subway Funding LLC.
- In the first half of 2024, nearly all of the systems posted positive sales growth year over year. Three systems that did not grow ranged from a slight decline of -0.67% to -1.55%. Debt service coverage ratios across all our investment-grade-rated transactions were near or over 3.0x as of June 30, 2024.
- We placed TGIF Funding LLC ('B- (sf)') on CreditWatch negative in September 2024 following a manager termination and liquidity concerns. This invoked the first corporate securitization hot backup servicer event in recent history.
- We expect performance to be slightly weaker for the remainder of 2024 with some pick-up in 2025 as high inflation moves further in the rearview mirror.

64 Series outstanding*

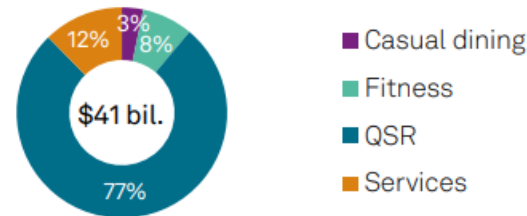
\$41 bil.

Rated outstanding bond balance§

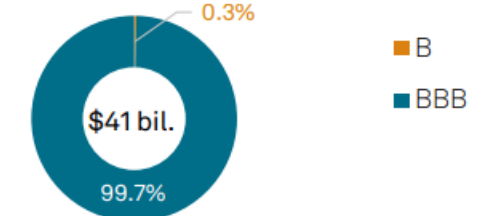
New issuance*



Distribution by type§



Rating category distribution§



*S&P Global Ratings-rated issuance through Oct. 1, 2024; includes all deals rated thus far in 2024. §Data as of June 30, 2024. All amounts assume fully drawn variable funding notes. QSR--Quick service restaurants. Source: S&P Global Ratings.

CLO



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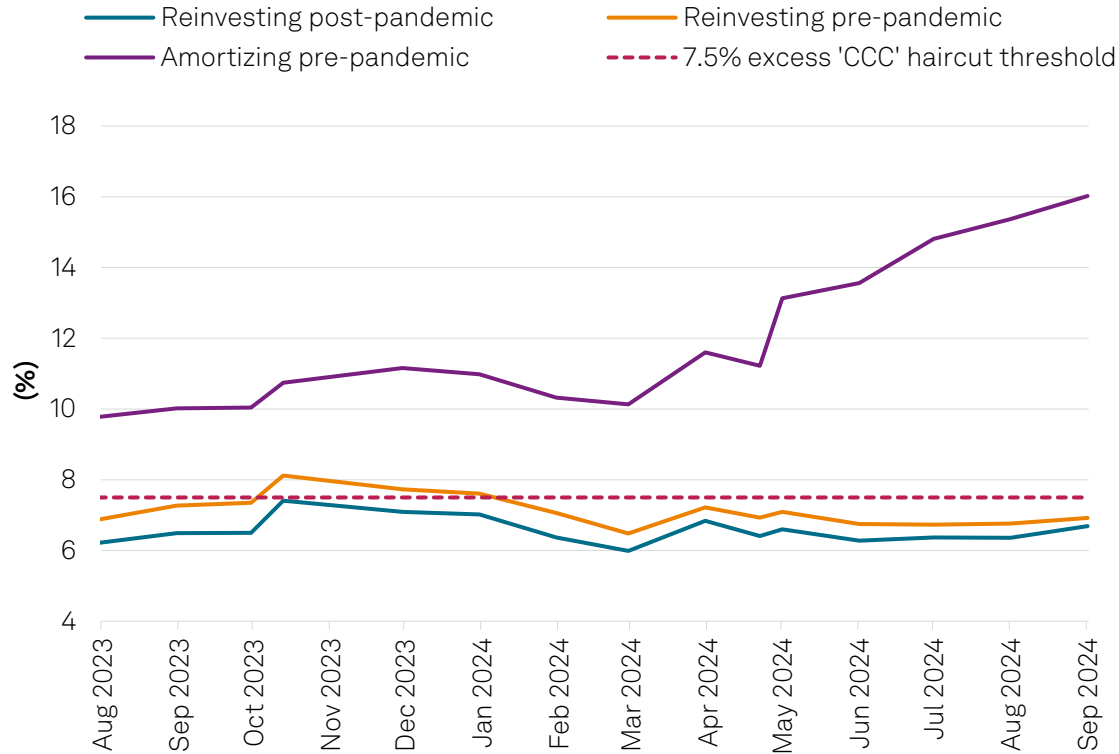
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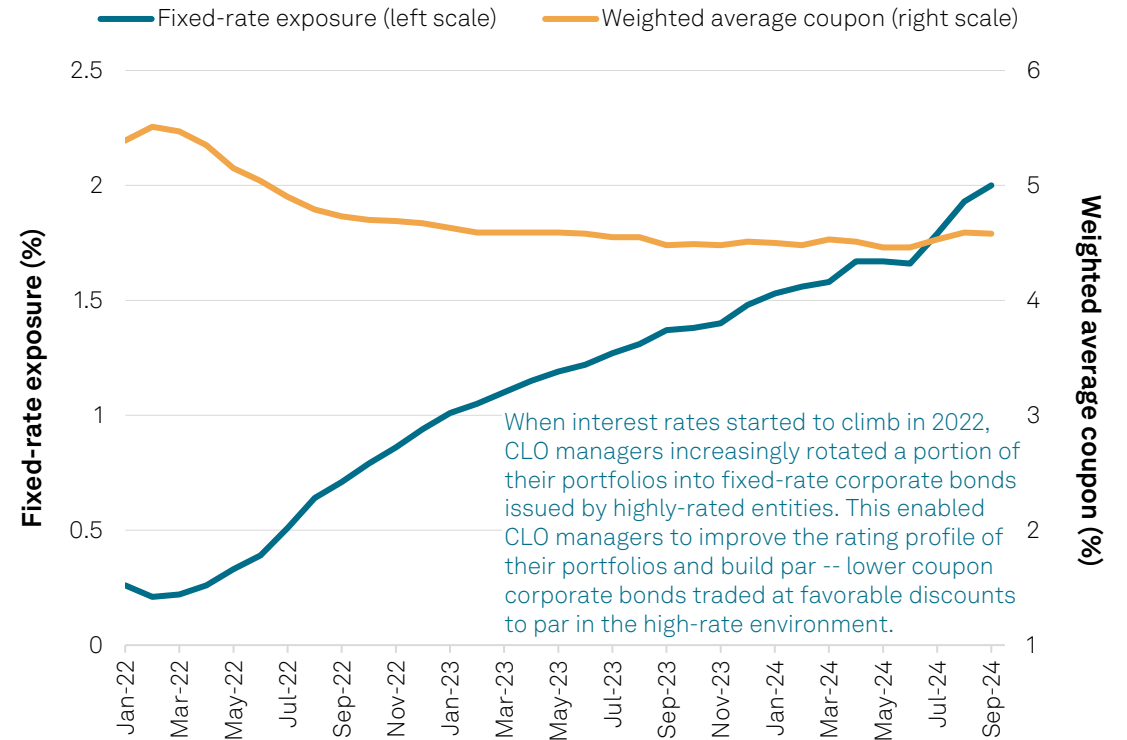
CLO | 'CCC' Exposure And Fixed-Rate Asset Allocations In BSL CLO Collateral Pools

'CCC' exposure across U.S. BSL CLO Index*



*Dataset is derived from transactions included in our U.S. BSL CLO Insights Index. 'CCC' exposures represent derived opinion (not ratings). Derived opinion is an input determined by S&P for inclusion in CDO Evaluator. August and September 2024 datapoints are in progress and based on the most recent portfolio statistics available to us. BSL—Broadly syndicated loan. CLO—Collateralized loan obligation. Source: S&P Global Ratings' [U.S. CLO Insights dashboard](#).

Fixed-rate asset exposure across U.S. BSL CLOs



BSL—Broadly syndicated loan. CLO—Collateralized loan obligation. Source: S&P Global Ratings.

ABCP/ Muni-Structured



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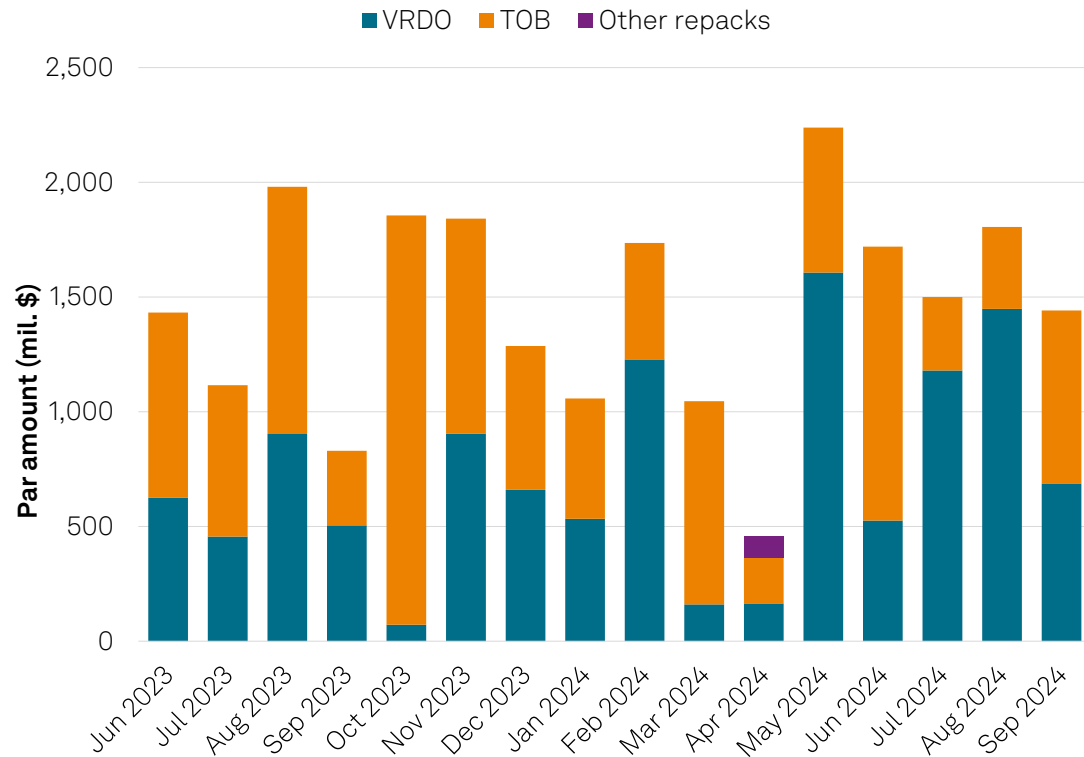
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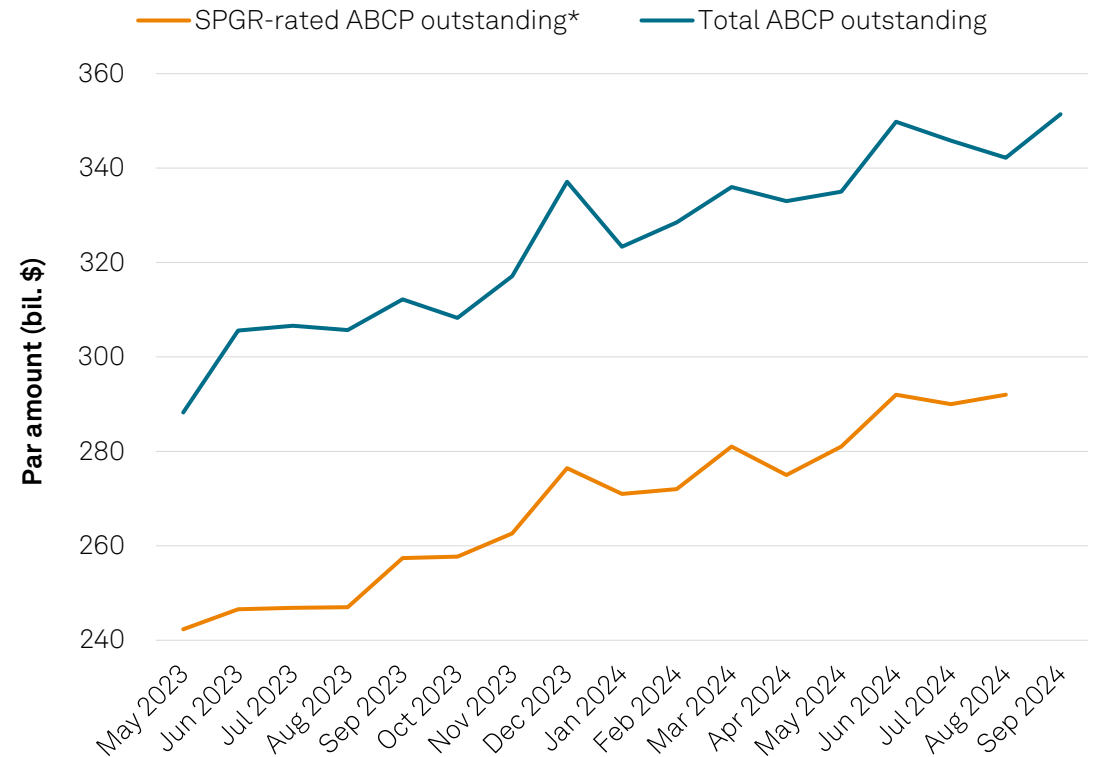
ABCP Muni-Structured | New Issuance And Outstanding Amounts

SPGR-rated short-term variable-rate municipal issuance



VRDO--Variable rate demand obligation. TOB--Tender option bond. Source: S&P Global Ratings.

ABCP outstanding



*September 2024 data not yet available. ABCP—Asset-backed commercial paper. Sources: S&P Global Ratings and U.S. Federal Reserve.



Recent Research

Sector	Publications
RMBS	<u>Non-QM Spotlight On Short-Term Rentals</u>
	<u>U.S. Home Price Overvaluation Ticks Up As Wage Growth Lags Home Price Gains</u>
CMBS	<u>U.S. CMBS Delinquency Rate Rose 34 Bps To 5.2% In September 2024; Office Rate Surges Past 8.0%</u>
ABS	<u>Looking Back, Looking Forward: Lessons On U.S. Subprime Auto Loan ABS Performance</u>
	<u>U.S. Auto Loan ABS Tracker: August 2024 Performance</u>
Esoteric ABS	<u>ABS Frontiers: Digging Our Way To Fiber Securitizations</u>
	<u>ABS Frontiers: The Credit DNA Of Synthetic Risk Transfer Securitizations</u>
CLO	<u>U.S. BSL CLO And Leveraged Finance Quarterly: Will A Cooling Inflationary Breeze Support Credit Resiliency? (Q3 2024)</u>
	<u>Will Market Volatility Reset CLO Reset/Refi Volume Expectations For Second-Half 2024?</u>
	<u>CLO Insights U.S. BSL Index: A Look Back At CLO Bond Exposures; August Downgrades Weigh On CLO Metrics</u>
ABCP/Muni-Structured	<u>Inside Global ABCP: 2024 Update</u>
Servicer Evaluations	<u>The Importance Of Cyber Security For U.S. And Canadian Servicers In A Challenging Environment</u>

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