

U.S. Structured Finance Chart Book: February 2025

Kohlton Dannenberg

James Manzi

Tom Schopflocher

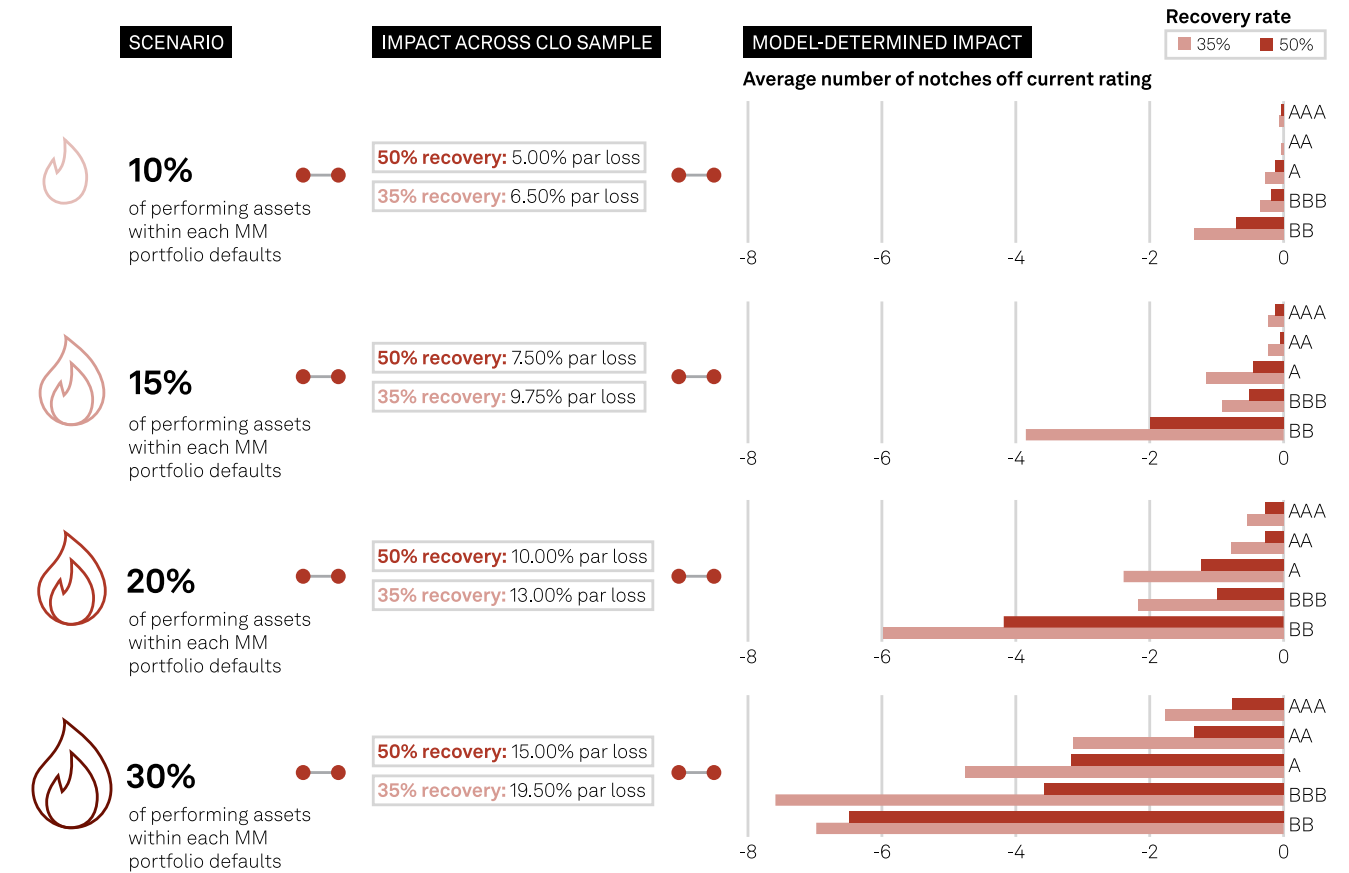
Feb. 21, 2025



Highlights | Scenario Analysis: Middle-Market CLO Ratings Withstand Stress Scenarios With Modest Downgrades

- Middle-market (MM) CLO ratings have shown impressive resilience, with less than 1% of total ratings lowered since 2020 despite credit estimate downgrades on companies in MM CLO collateral pools outpacing upgrades.
- As we've done in previous years, we subjected our U.S. MM CLO ratings to a series of hypothetical stress scenarios to see how they might perform under different levels of collateral defaults (10%, 15%, 20%, and 30% of total assets).
- In addition to the 50% recovery scenarios we published previously, this year, we added scenarios with a 35% recovery assumption.
- The results of this analysis continue to show the CLO structure protecting senior noteholders, with no 'AAA' CLO tranche downgraded below 'A-' under any of the scenarios, and 99% of the non-deferrable 'AA' CLO tranches remaining investment-grade even under our most punitive scenario (30% default rate, 35% recovery rate).

Middle-Market CLO summary of stress scenarios and rating impact



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

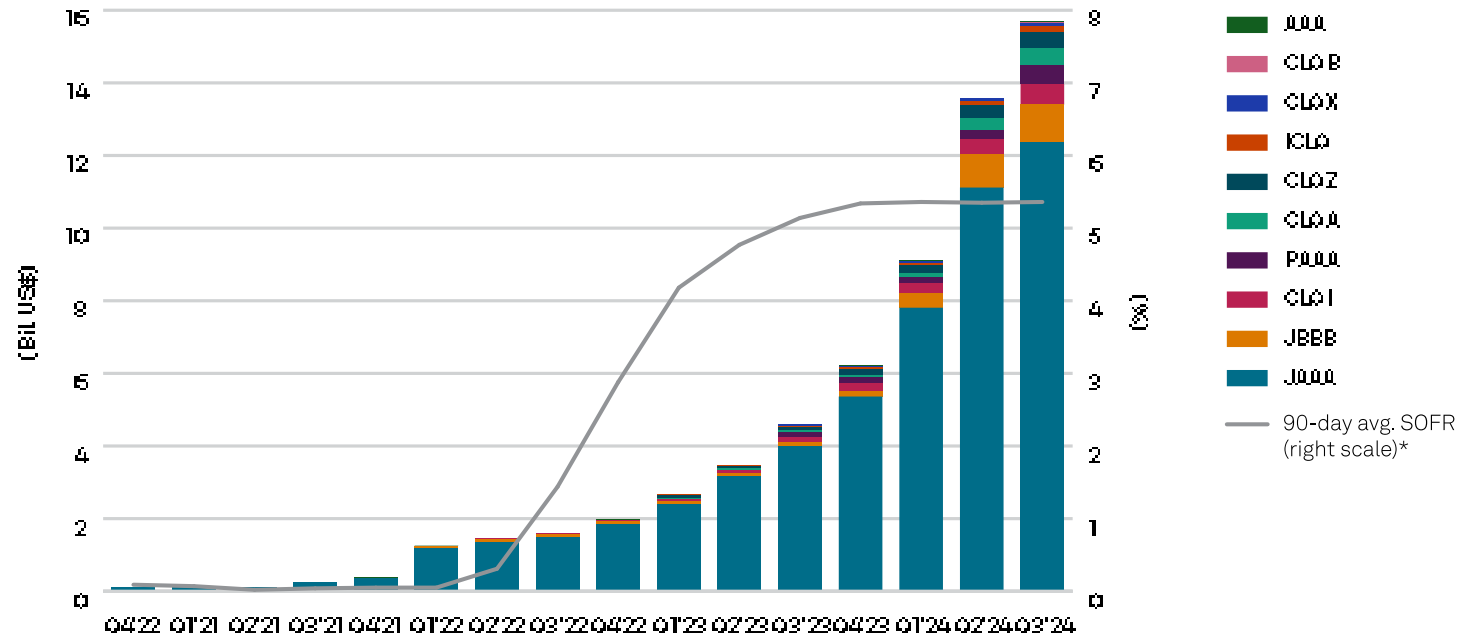
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Highlights | ABS Frontiers: How The Burgeoning CLO ETF Sector Could Impact The Broader CLO Market

- The CLO ETF market has grown to over \$19 billion as of late November 2024 from \$120 million in 2020, fueled in part by investor appetite for exposure to floating-rate debt in a rising interest rate environment.
- Individual funds can own substantial portions of CLO tranches. In the case of the largest player in the CLO ETF space, Janus Henderson's JAAA fund, this portion can be upwards of 90%. While most purchase activity across CLO ETFs occurs in the secondary market, primary acquisitions do take place, particularly with JAAA.
- CLO ETFs are likely contributing to the current spread tightening and improving liquidity of CLO tranches. For now, CLO ETFs are unlikely to exacerbate volatility in the case of a distressed CLO market because of the inherent decoupling between ETF investor share sales and CLO sales from the ETF's portfolio.
- If the CLO ETF market continues to grow at its current pace, it is possible that ETFs could increase CLO note price volatility in the case of a severe market dislocation.

CLO ETF AUM over time



The AUM figures cited in this chart and elsewhere in the article will differ slightly from those reported by the CLO ETFs themselves. This is because we source our CLO ETF portfolio valuation data from Bloomberg. *Quarterly average. AUM--Assets under management. CLO--Collateralized loan obligation. ETF--Exchange-traded fund. Source: Bloomberg, U.S. Federal Reserve, and S&P Global Ratings.

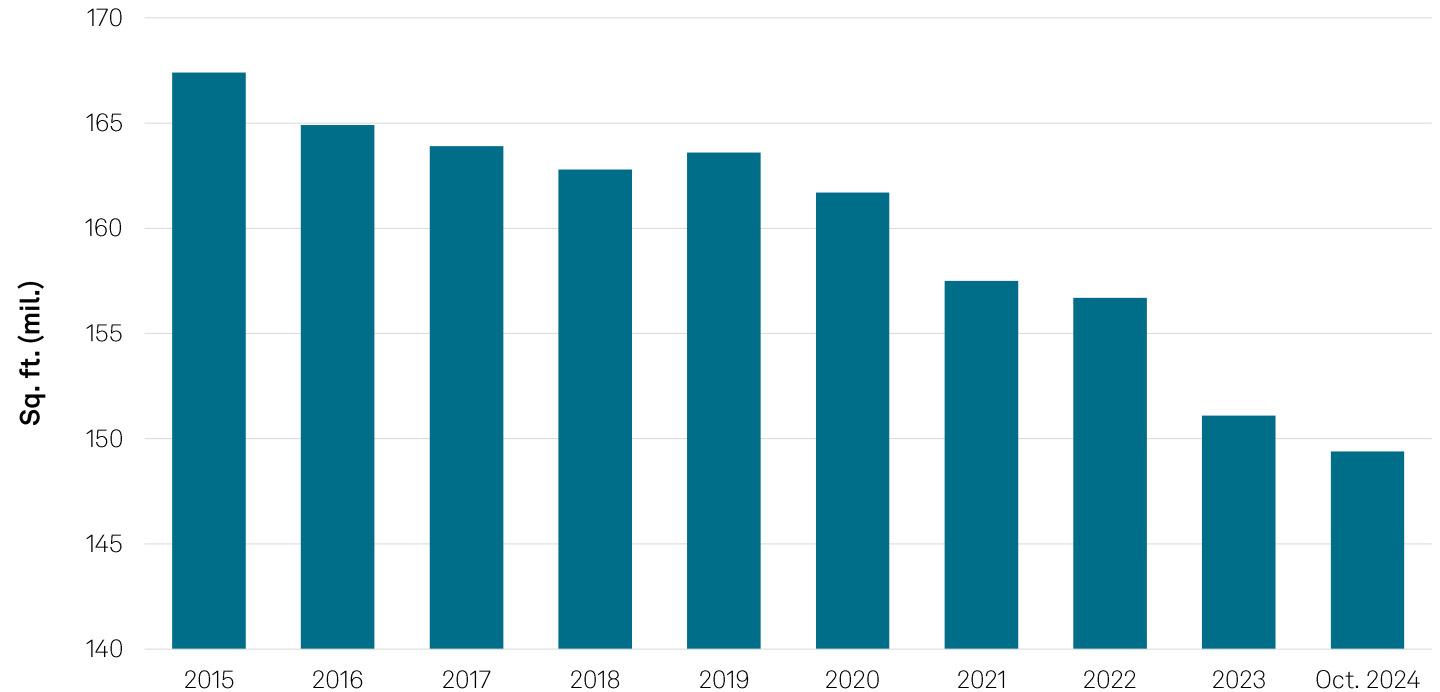
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Highlights | A Review Of U.S. CMBS Exposure To U.S. General Services Administration's Office Leases Following Presidential Election

- Given the speculation of potential spending cuts under the incoming Trump administration, we reviewed office space leased by the federal government, which totals almost 150 million sq. ft. across 7,000 individual leases.
- Some 52% of these leases either expire or can be terminated through the end of 2028.
- S&P Global Ratings has outstanding CMBS ratings on 45 transactions with exposure to office collateral leased to GSA and/or government agency tenants. Conduit exposure to the GSA appears mixed by transaction, but broadly limited, while some single-asset single-borrower transactions could be adversely impacted by potential future budget cuts.

External U.S. GSA office leases (2015 - Oct. 2024)



GSA—General Services Administration. Source: U.S. General Services Administration and S&P Global Ratings.

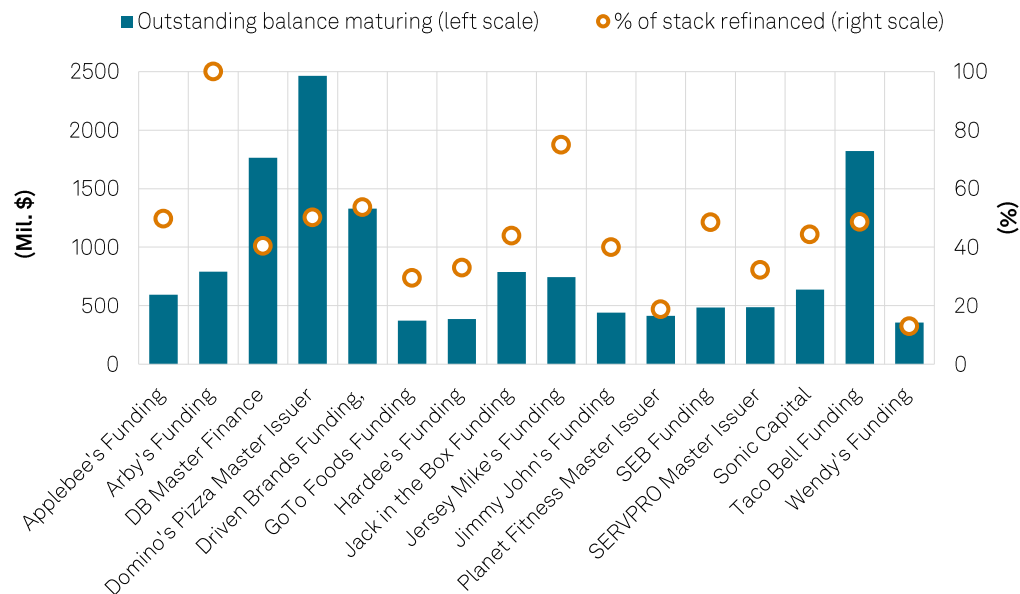
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Highlights | Scenario Analyses: Refinancing Prospects For Corporate And Triple-Net Lease Securitizations

Corporate securitizations: expected maturities over the next three years as a % of total capital stack

With a wave of corporate securitization debt maturing over the next few years, we assessed the potential rating impact of hypothetical increases to refinancing rates for our portfolio of investment-grade, publicly rated corporate securitization notes. Of the 16 securitizations tested, only seven saw a decline in debt service coverage that was large enough to result in a reduction of the base-case anchor.



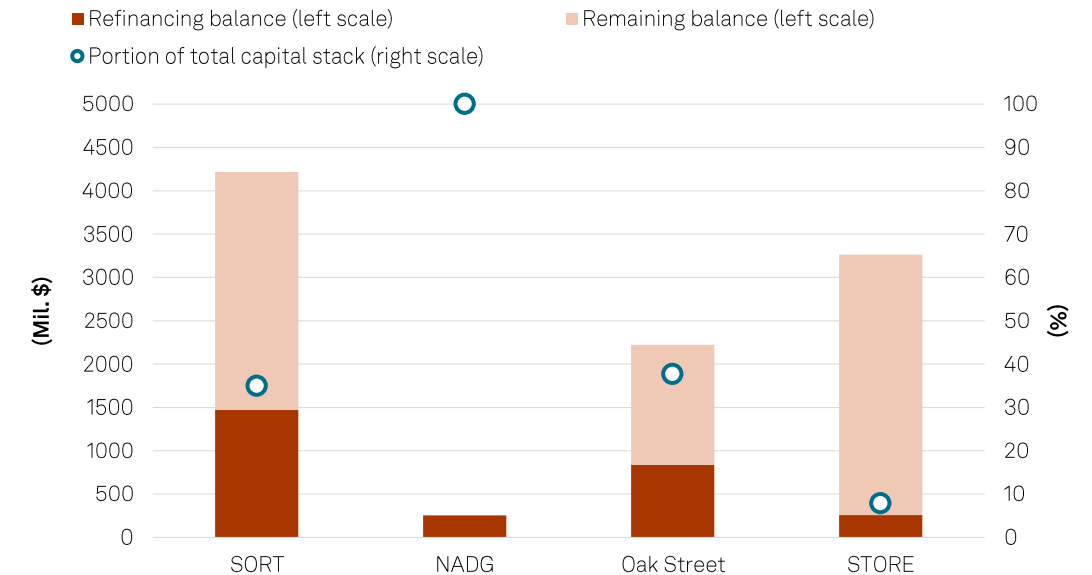
Source: S&P Global Ratings.

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S&P Global
Ratings

NNN lease securitizations: expected maturities over the next year as a % of total capital stack

We tested whether each issuer has sufficient cushion to absorb elevated refinancing rates on the notes with their existing collateral pools. Only one of the four master trusts was able to absorb the higher coupons with the existing collateral. Out of 51 notes tested, 22 passed at current rating levels, while 29 showed lower model-implied ratings.



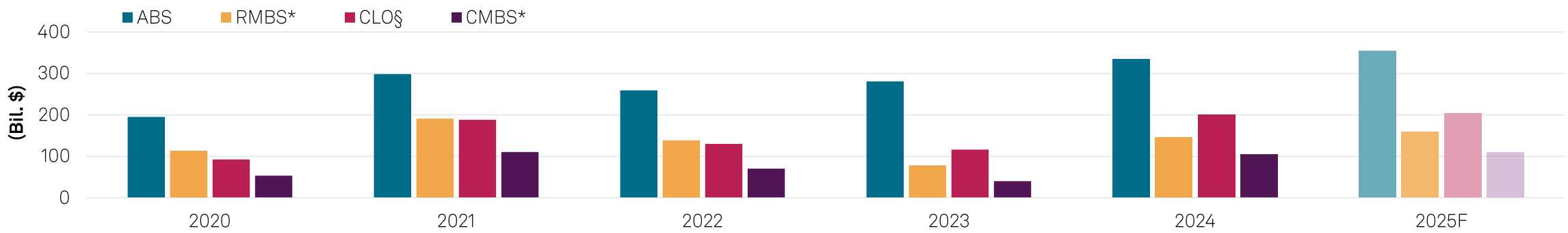
NNN—Triple-net. SORT—CF Hippolyta Issuer LLC. NADG—NADG NNN Naperville LP and co-issuers. Oak Street—Oak Street Investment Grade Net Lease Fund LP. STORE—STORE Master Funding I LLC and co-issuers. Source: S&P Global Ratings.

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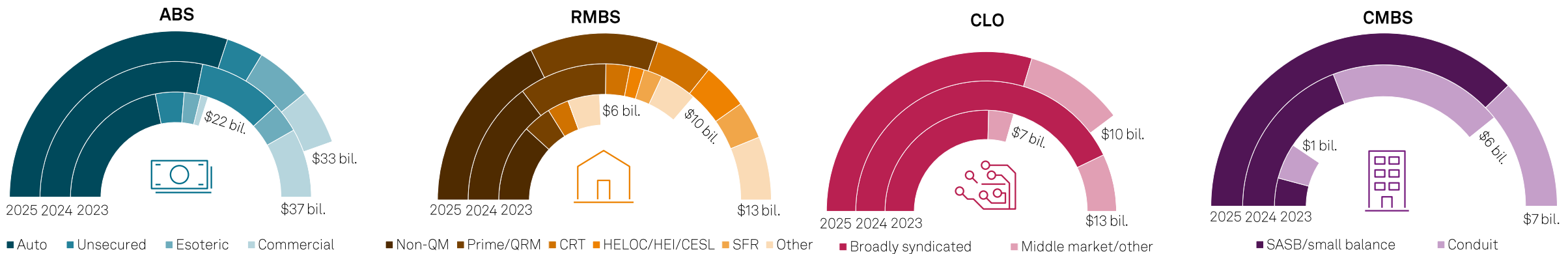


Market-Wide Structured Finance Issuance | Jan. 2025 SF Issuance Down 2% Vs. Jan. 2024; RMBS And CMBS Off To A Relatively Strong Start

Annual new issuance



New issuance through the end of January



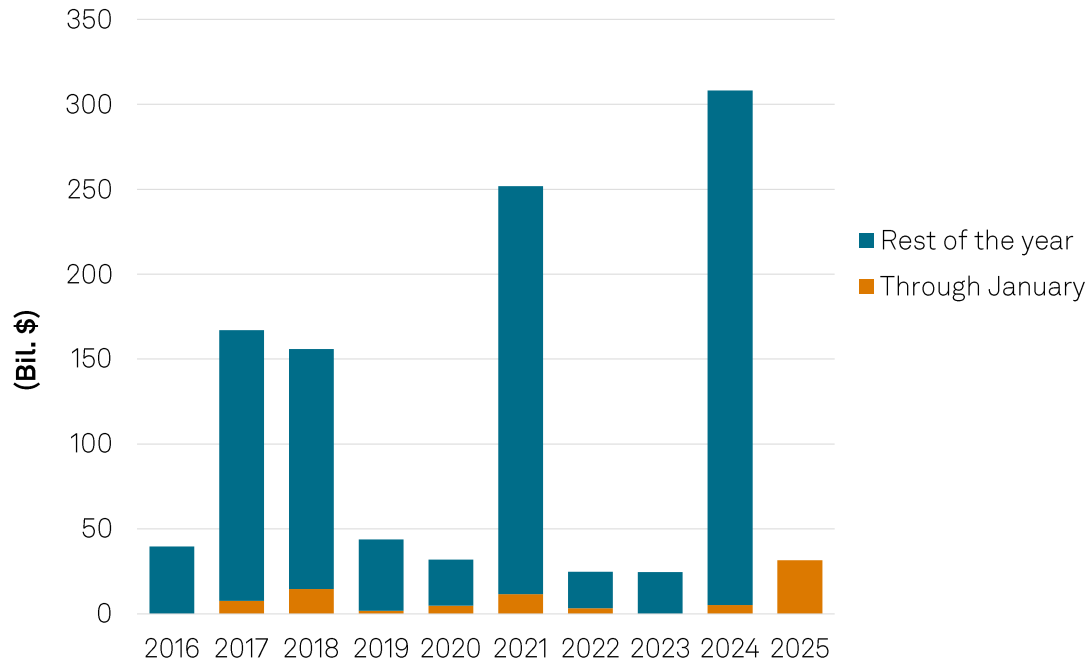
Note: Issuance volumes are rounded. New issuance volumes exclude CRE CLO transactions. *RMBS and CMBS issuance volumes exclude agency mortgage-backed securities. §CLO refinancing-reset volume is not considered new issuance. ABS--Asset-backed securities. RMBS--Residential mortgage-backed securities. CLO--Collateralized loan obligations. CMBS--Commercial mortgage-backed securities. Non-QM--Non-qualified mortgage. QRM--Qualified residential mortgage. 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. CRE--Commercial real estate. Sources: S&P Global Ratings, Intex, Pitchbook LCD, Bloomberg, and Green Street.



CLO Refinancings And Resets | 2025 Is Poised For Strong Refi/Reset Activity

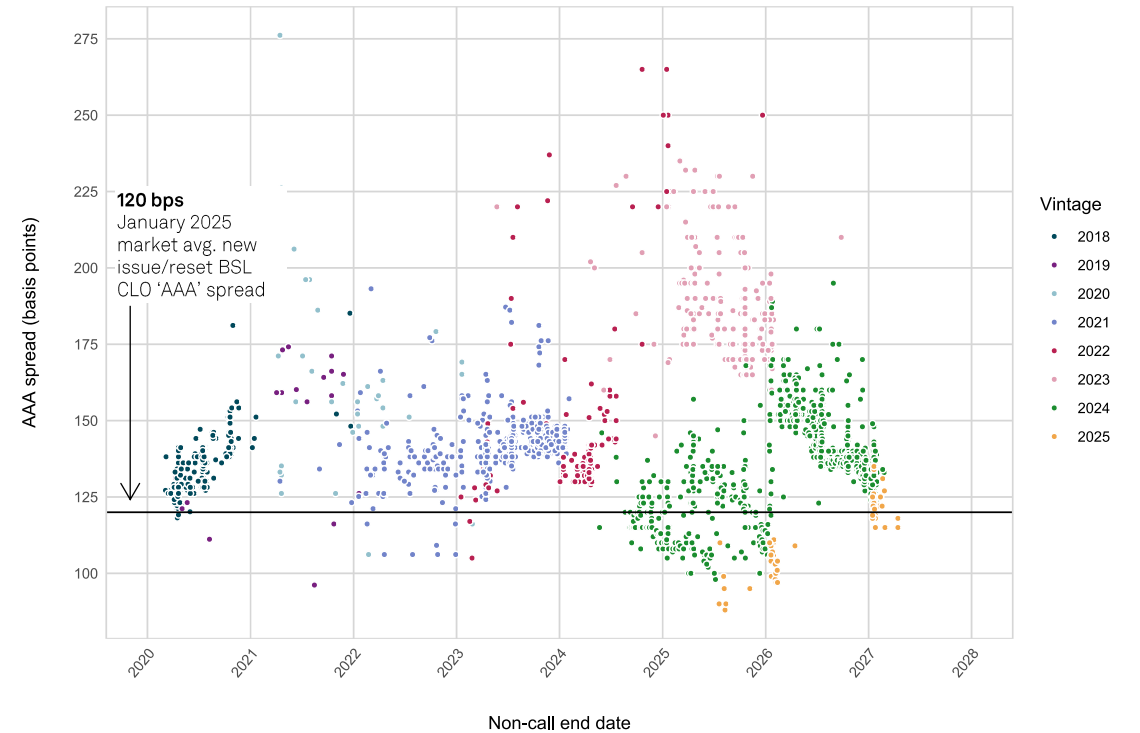
CLO refinance/reset issuance volume

After record volume in 2024, 2025 looks set to be another banner year for CLO refi/reset issuance. The 2021 and 2023 vintages are likely to drive robust activity this year if market spreads remain relatively stable or continue to tighten.



Source: Pitchbook LCD.

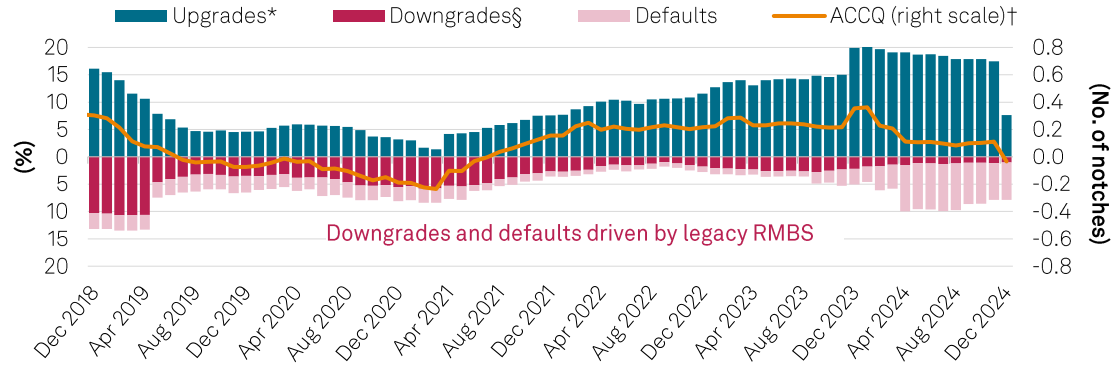
Outstanding U.S. BSL CLO 'AAA' spreads and non-call period end dates, by vintage*



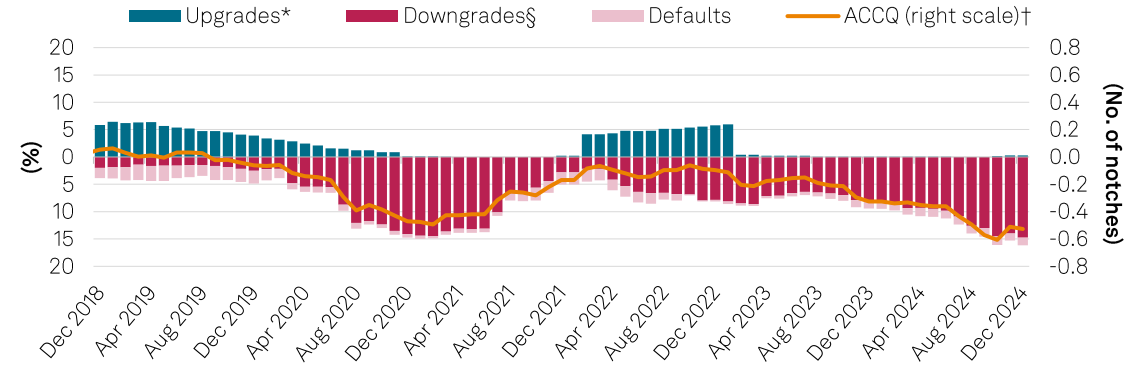
*Data as of Feb. 7, 2025. Note: The spreads of reinvesting transactions and transactions within two years of their reinvestment period end date are plotted. The spreads of transactions that have been refinanced or reset previously are plotted (vintage is adjusted to reflect most recent iteration of the CLO). BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Bps--Basis points. Sources: Pitchbook LCD and S&P Global Ratings.

Ratings Performance | Average Change In Credit Quality By Sector

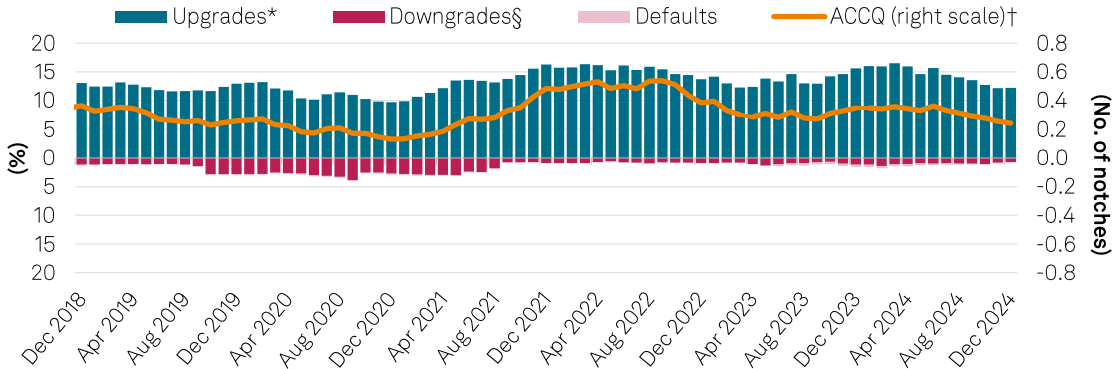
RMBS



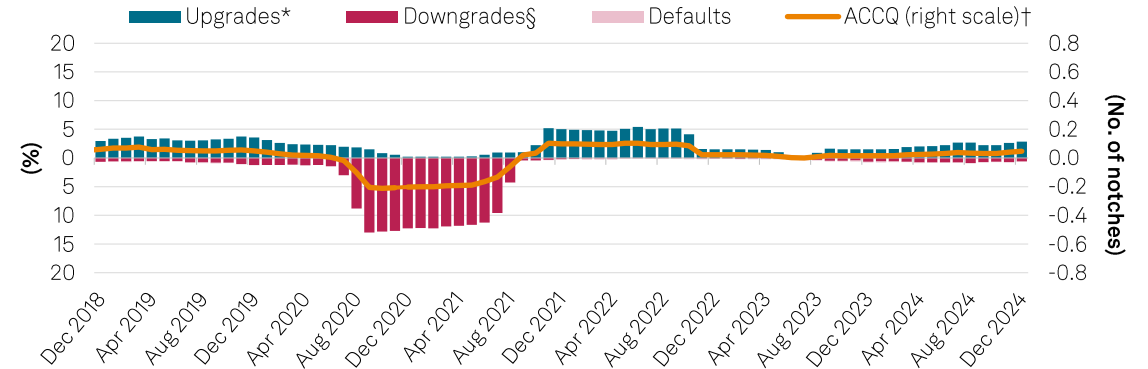
CMBS



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



James Taylor
+1 (212) 438 6067
james.taylor@spglobal.com



Vanessa Purwin
+1 (212) 438 0455
vanessa.purwin@spglobal.com

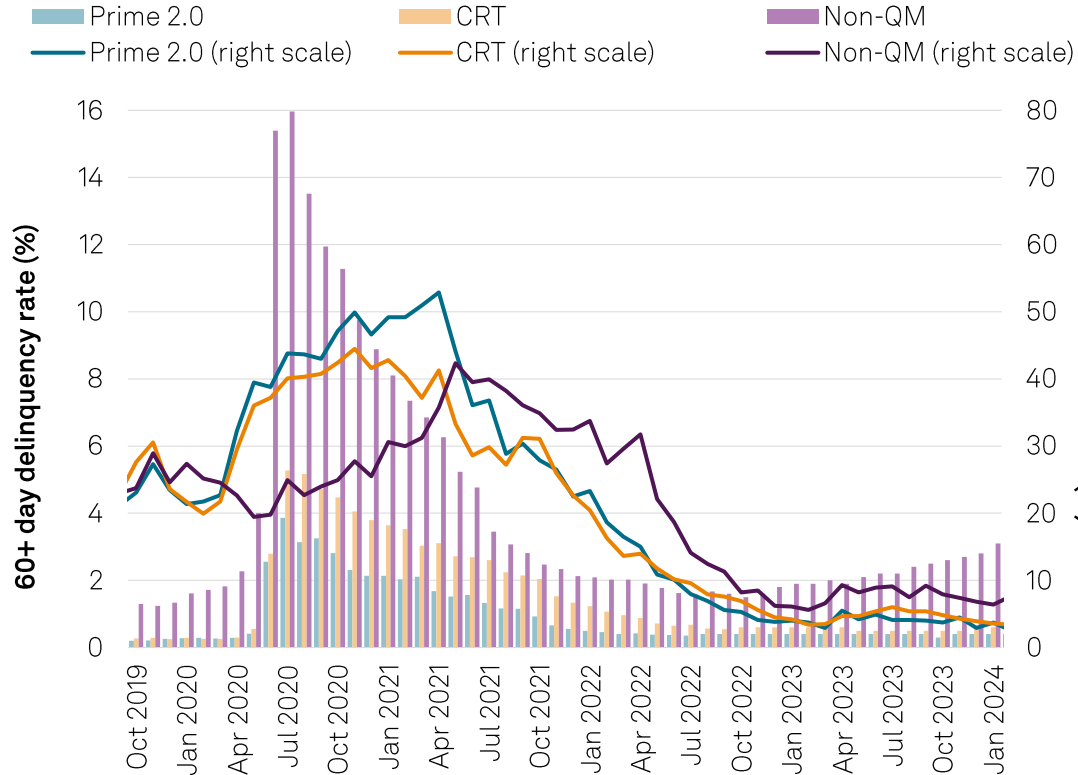


Jeremy Schneider
+1 (212) 438 5230
jeremy.schneider@spglobal.com



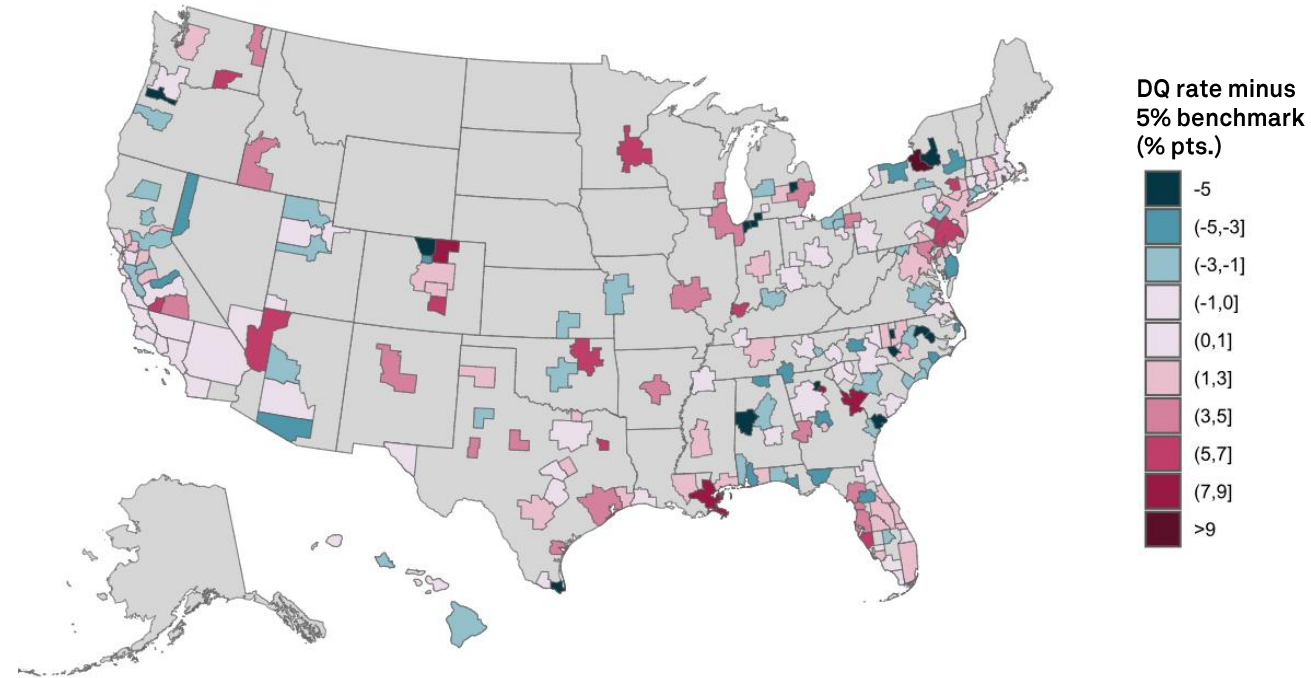
RMBS | Overall Pool Performance And Geographic Comparison Of Non-QM Delinquencies

RMBS collateral performance*



*Data as of Feb. 1, 2025. 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.

Non-QM total DQ rate vs. 5% benchmark by CBSA*



*Based on loans backing non-QM RMBS transactions rated by S&P Global Ratings. CBSAs with less than 50 non-QM loans outstanding are excluded. Foreclosed and REO loans are included in total delinquencies. Loans based within metropolitan divisions were mapped to the most proximal CBSA. Non-QM--Non-qualified mortgage. DQ--Delinquency. REO--Real estate owned. CBSA--Core-based statistical area. Source: S&P Global Ratings.

CMBS



Cathy de la Torre

+1 (212) 438 0502

cathy.de.la.torre@spglobal.com



James Digney

+1 (212) 438 1832

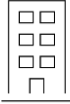
james.digney@spglobal.com



Senay Dawit

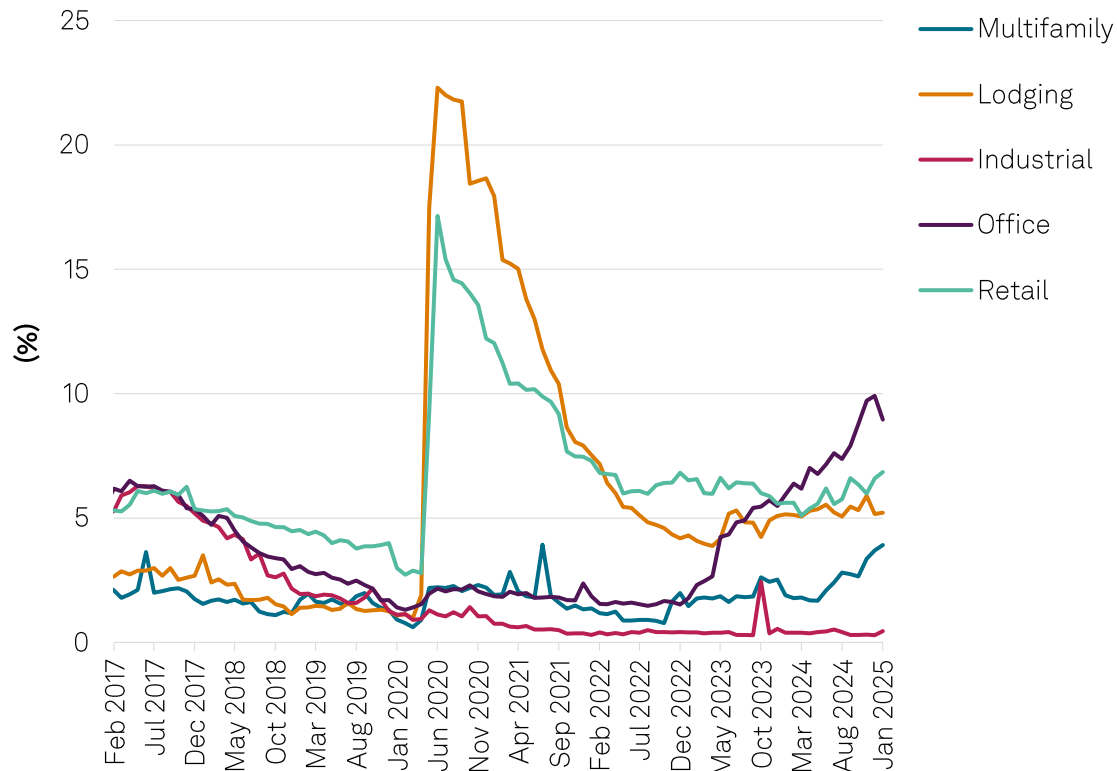
+1 (212) 438 0132

senay.dawit@spglobal.com



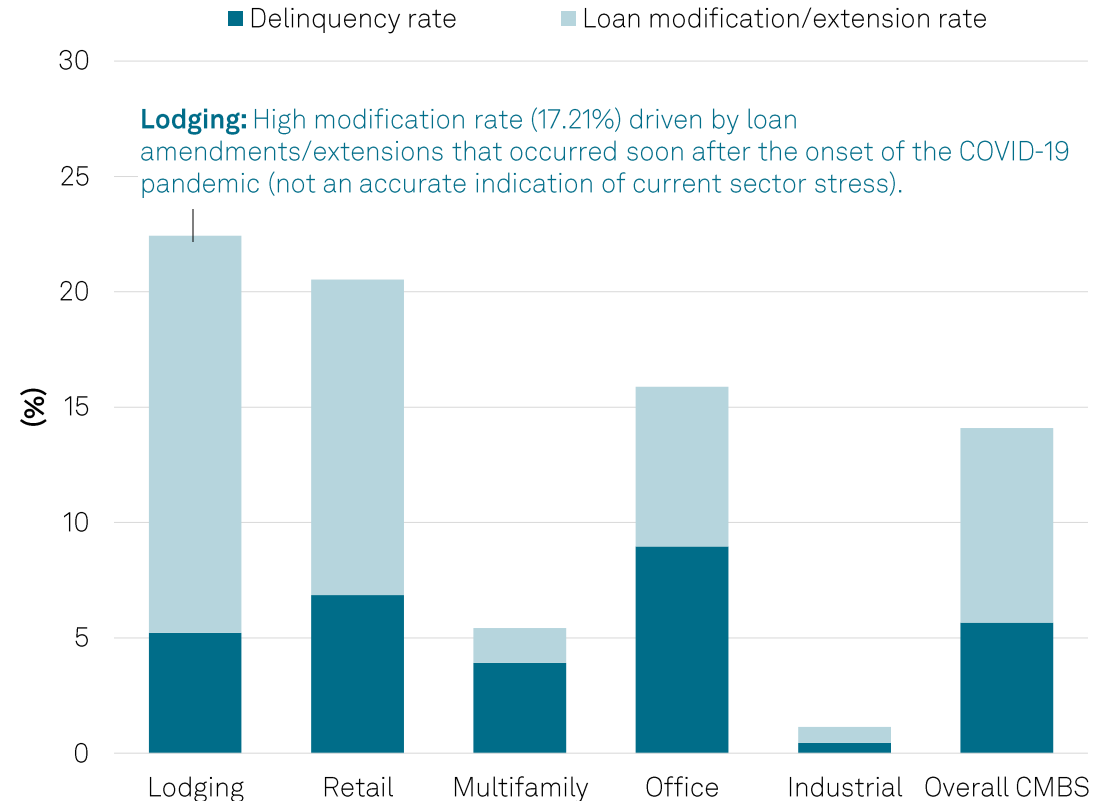
CMBS | Overall Delinquency Rate Rose Four Bps To 5.7% In January; Office Delinquency Rate Drops To 9%

Delinquency rate by property type



Source: S&P Global Ratings.

Delinquency and modification/extension rate by property type*



*Data as of January 2025. CMBS--Commercial mortgage-backed securities. Source: S&P Global Ratings.

ABS



Frank Trick

+1 (212) 438 1108

frank.trick@spglobal.com



Amy Martin

+1 (212) 438 2538

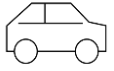
amy.martin@spglobal.com



Kate Scanlin

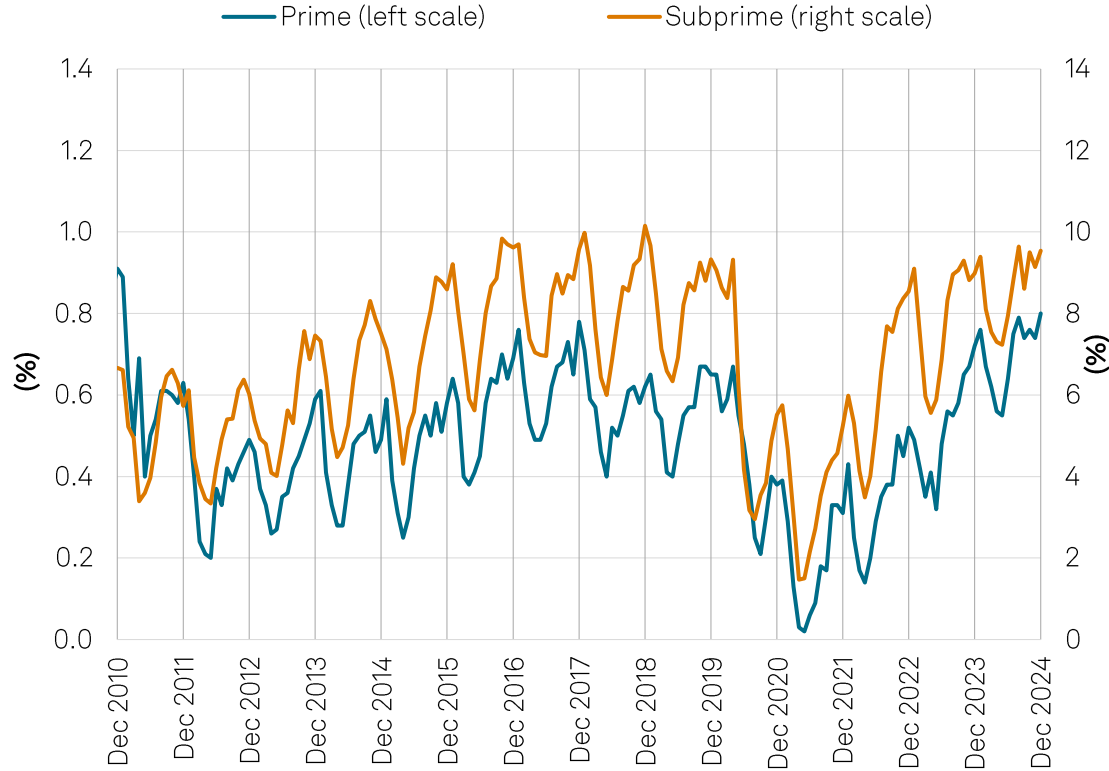
+1 (212) 438 2002

kate.scanlin@spglobal.com

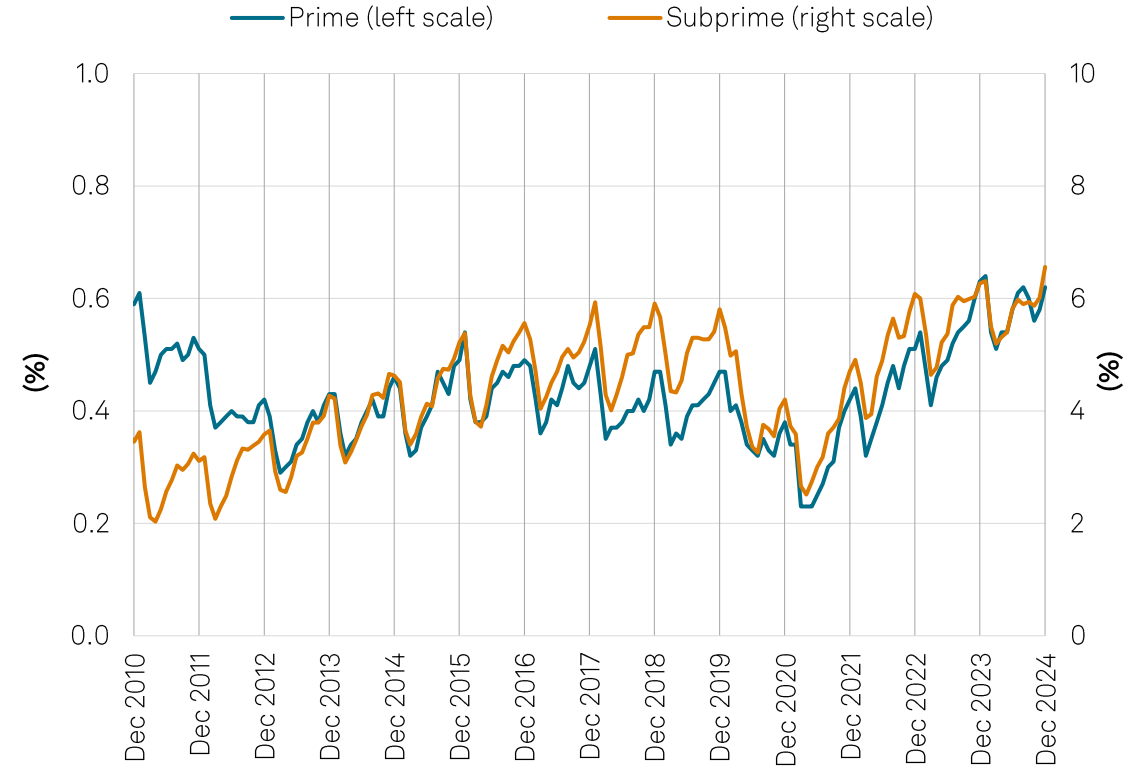


Auto Loan ABS | Subprime 60-Plus-Day Delinquencies Reach All-Time High; Net Loss Rates Continue Climbing Across Both Credit Segments

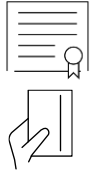
Auto loan ABS net loss rates



Auto loan ABS 60+ day delinquency rates

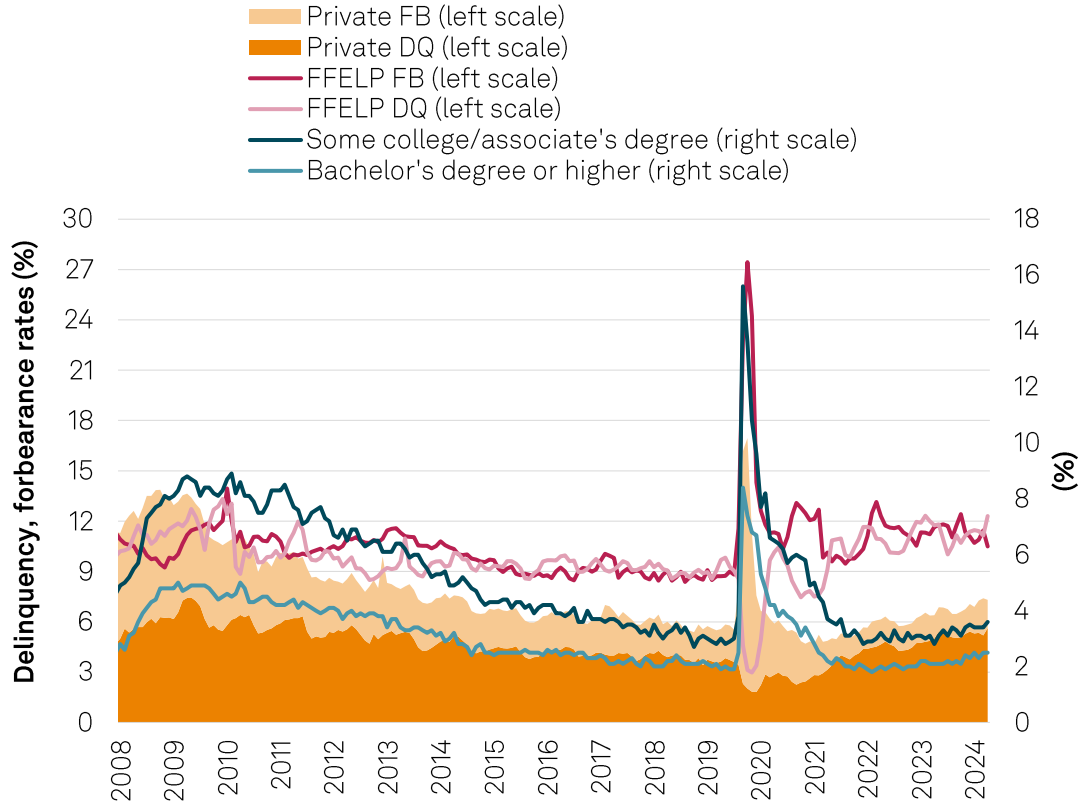


Monthly net loss rates are annualized. ABS--Asset-backed securities. Source: S&P Global Ratings.

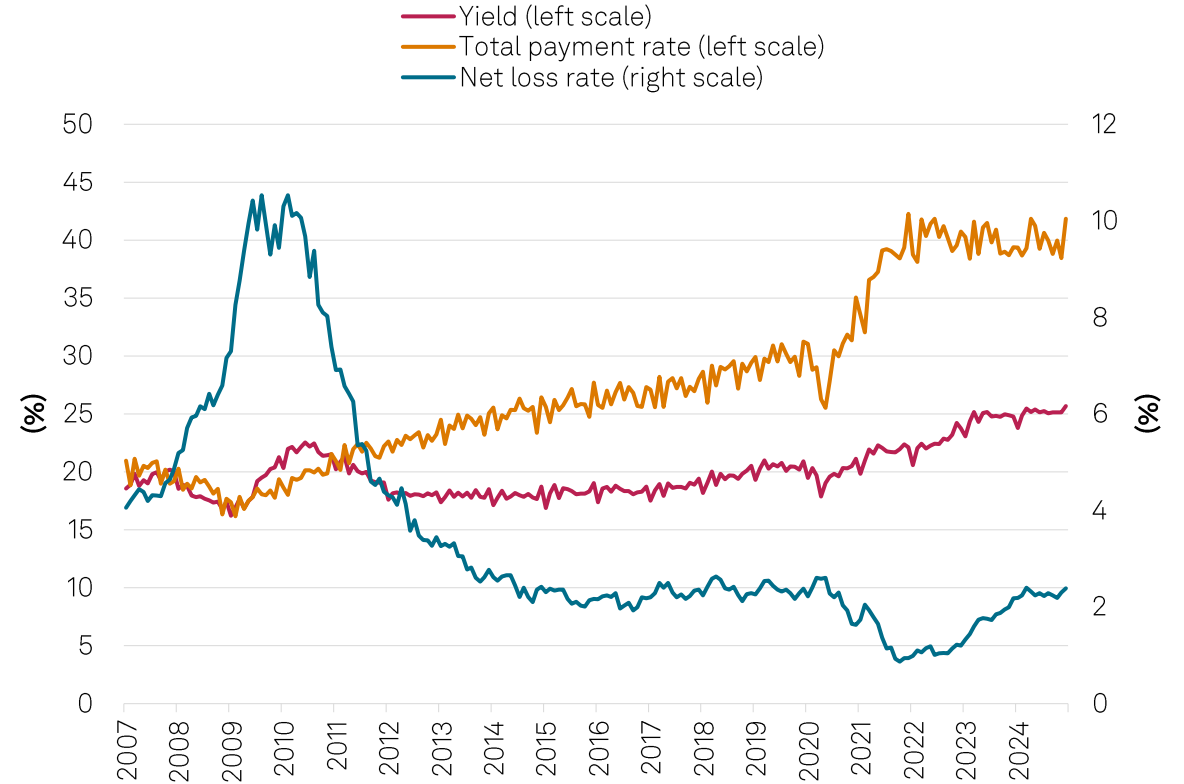


Student Loan And Credit Card ABS | Collateral Performance Overview

Unemployment by education vs. delinquency, forbearance rates*



Bankcard Credit Card Quality Index*



*Data as of November 2024. Forbearance and delinquency data are derived only from student loan ABS transactions rated by S&P Global Ratings that provide monthly pool performance statistics. FB--Forbearance. DQ--Delinquency. FFELP--Federal Family Educational Loan Program. Sources: U.S. Bureau of Labor Statistics and S&P Global Ratings.

*Data as of December 2024. Based on credit card ABS transactions rated by S&P Global Ratings. Monthly net loss rates and yields are annualized. Source: S&P Global Ratings.

Esoteric ABS



Jie Liang

+1 (212) 438 8654

jie.liang@spglobal.com



Ryan Butler

+1 (212) 438 2122

ryan.butler@spglobal.com



Deborah Newman

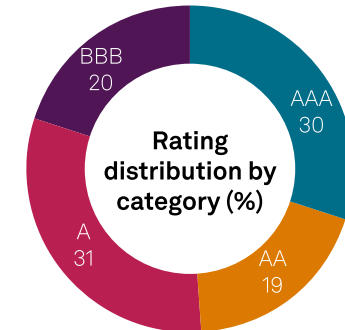
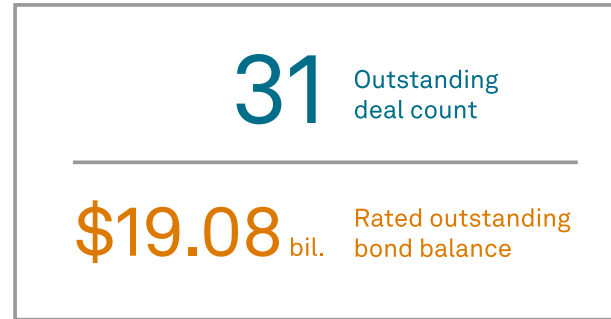
+1 (212) 438 4451

deborah.newman@spglobal.com

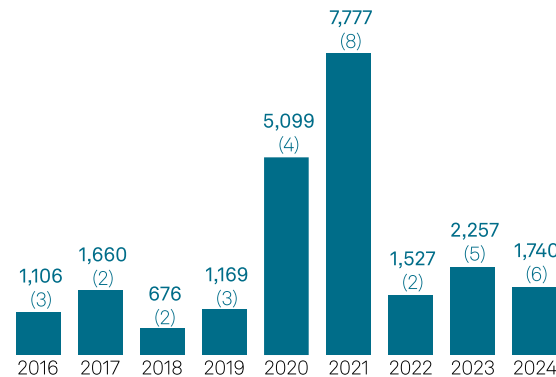
Esoteric ABS | Triple-Net Lease ABS 2024 Year In Review

- S&P Global Ratings rated six new triple-net lease ABS transactions totaling \$1.7 billion in 2024 and took various rating actions throughout the year, including one upgrade and 23 affirmations.
- Certain retail-oriented triple-net lease portfolios saw an uptick in tenant bankruptcies, delinquencies, and vacancies in 2024, which contributed to lower collections. We believe some retail tenants, especially pharmacies and certain chain restaurants, may have experienced weakened performance as consumers cut back on discretionary spending.
- Despite weaker collection trends, transaction debt service coverage ratios, which typically cover senior fees, interest, and scheduled principal, remained well above performance triggers for most transactions.
- Of the 103 triple-net ABS classes we rate, seven have anticipated repayment dates (ARDs) in 2025. Given the elevated interest rate environment, issuers with ARDs in the next 12 months will continue to face tougher refinancing conditions.

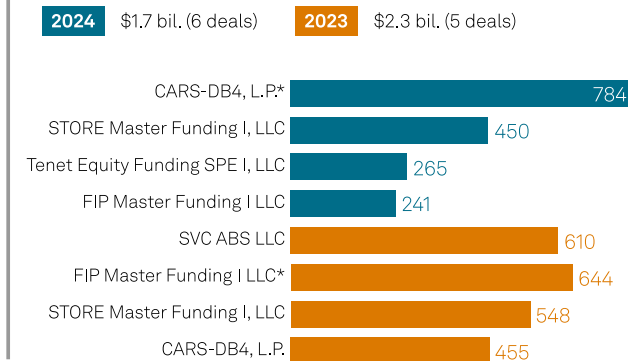
U.S. triple-net lease ABS at a glance



New issuance, (mil. \$, no. of deals)



Sale amount by issuer (mil. \$)



Data as of Nov. 15, 2024. *FIP in 2023 and CARS-DB4 in 2024 had multiple issuances. Source: S&P Global Ratings.

CLO



Jimmy Kobylinski

+1 (212) 438 6314

jimmy.kobylinski@spglobal.com



Belinda Ghetti

+1 (212) 438 1595

belinda.ghetti@spglobal.com



Stephen Anderberg

+1 (212) 438 8991

stephen.anderberg@spglobal.com



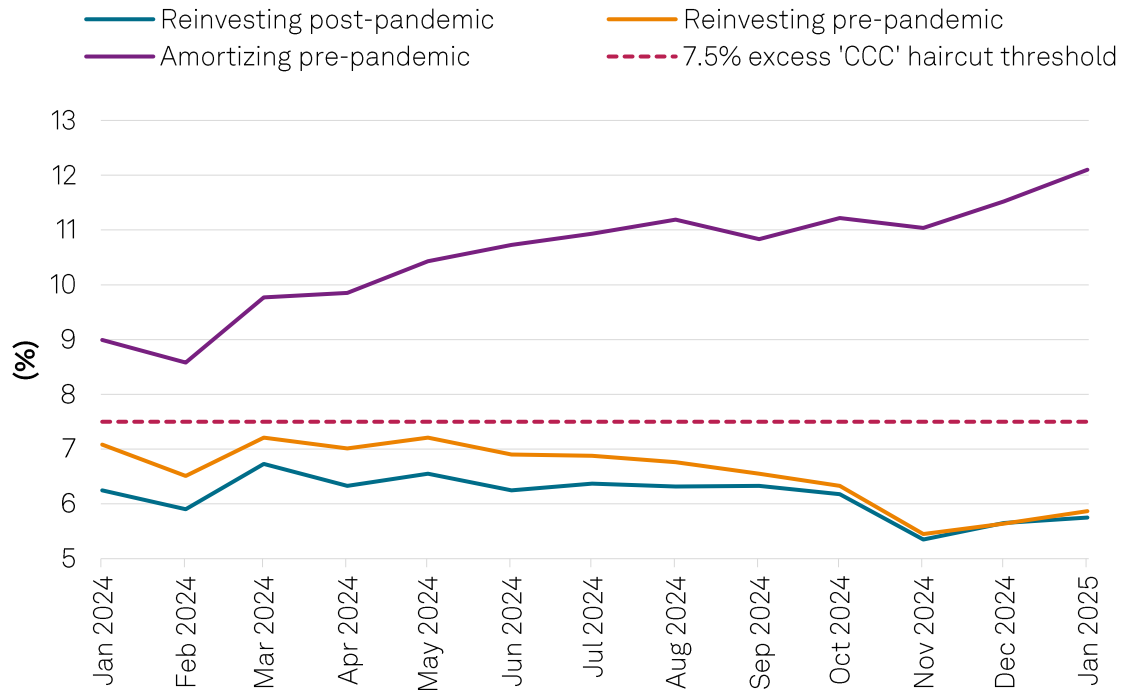
Daniel Hu

+1 (212) 438 2206

daniel.hu@spglobal.com

CLO | 'CCC' Exposure; Assessing The Value Of Active Portfolio Management In 2024

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



*Dataset is derived from transactions included in our U.S. BSL CLO Insights Index. 'CCC' exposures represent derived opinion (not ratings) on the as-of date of the dataset. Derived opinion is an input determined by S&P Global Ratings for inclusion in CDO Evaluator. December 2024 and January 2025 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](#).

Value of active management: actual vs. hypothetical change in 2024 CLO index metrics

To evaluate the value that active management provides to BSL CLOs, we assumed a hypothetical static CLO scenario where CLO managers made no trades after the start of 2024. The table below shows the actual changes in aggregate CLO credit metrics vs. the changes that would have occurred without active management.

	Actual change in 2024 (active management)	Hypothetical change in 2024 (static)
Loan turnover (%)	60.02	0
Issuer turnover (%)	27.89	0
% of target par (bps)	-68	0
'B-' exposure (bps)	-73	6
'CCC' category exposure (bps)	-96	226
Nonperforming exposure (bps)	5	60
SPWARF	-45.27	77.63
Weighted avg. price of portfolio (\$)	0.42	-0.53
Jr. O/C cushion (bps)	-60	-100

SPWARF—S&P Global Ratings weighted average rating factor. O/C--Overcollateralization. Source: S&P Global Ratings.

ABCP/ Muni-Structured



Kate Scanlin

+1 (212) 438 2002

kate.scanlin@spglobal.com



Joshua Saunders

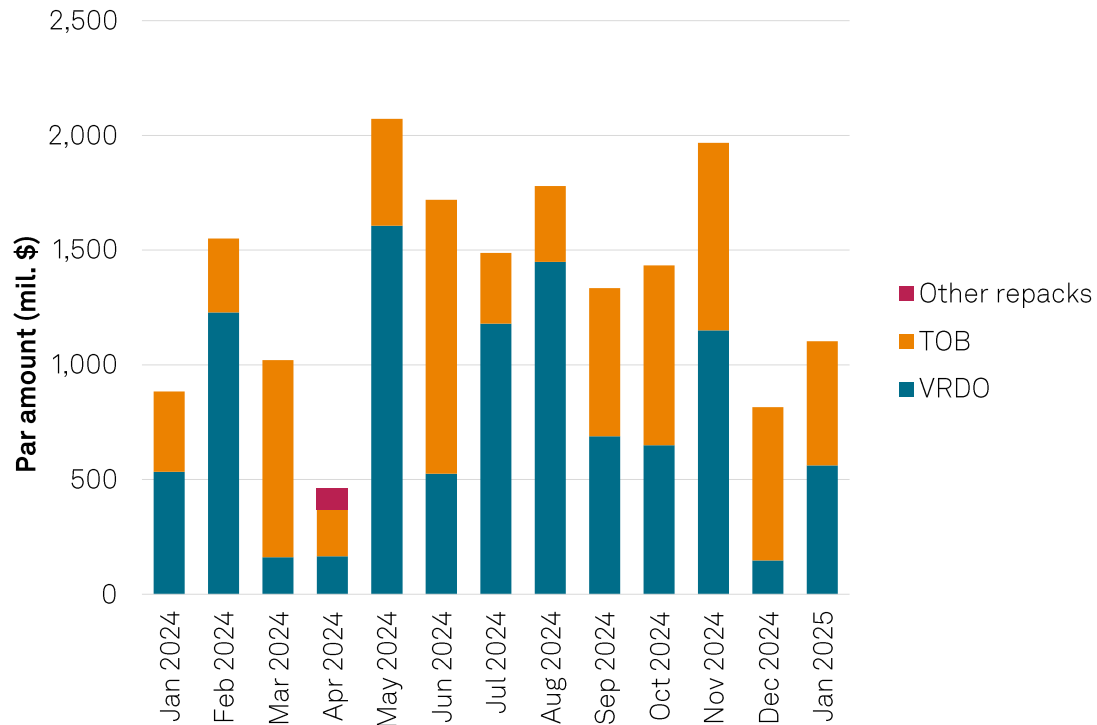
+1 (312) 233 7059

joshua.saunders@spglobal.com



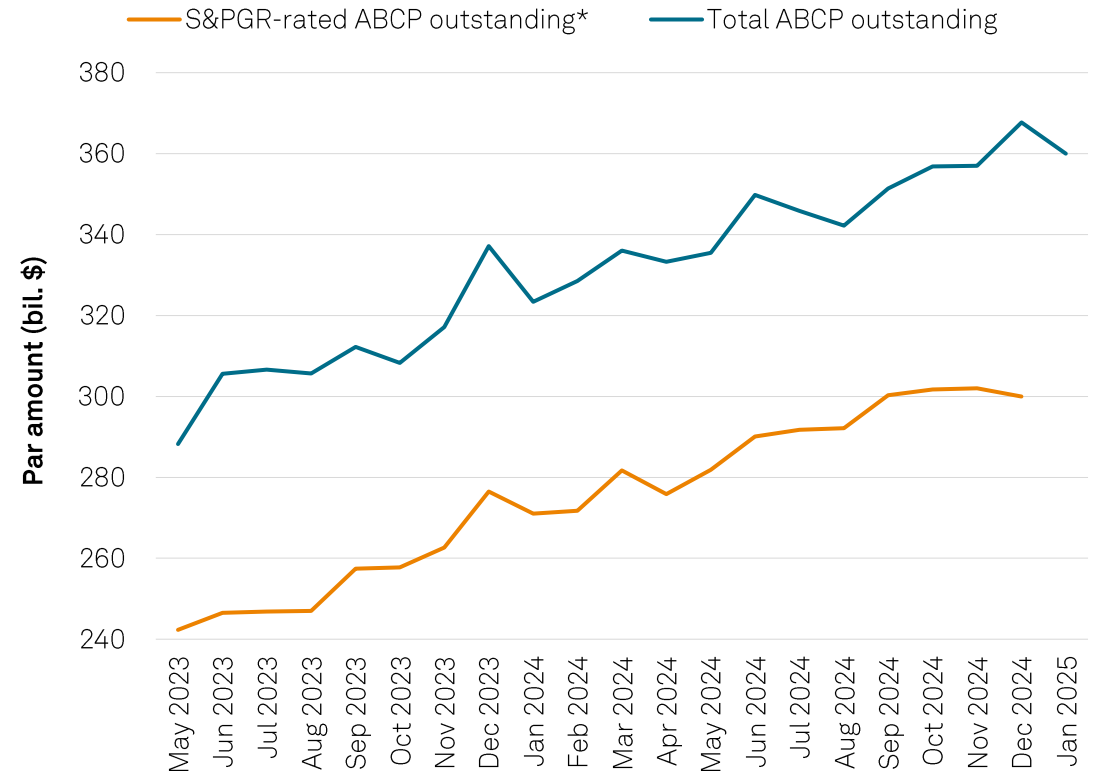
ABCP Muni-Structured | New Issuance And Outstanding Amounts

S&PGR-rated short-term variable-rate municipal issuance



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

ABCP outstanding



*Data through December 2024. ABCP--Asset-backed commercial paper. S&PGR--S&P Global Ratings. Sources: S&P Global Ratings and U.S. Federal Reserve.



Recent Research

Sector	Publications
RMBS	2025 U.S. Residential Mortgage And Housing Outlook
CMBS	U.S. CMBS Delinquency Rate Increased 4 Basis Points To 5.7% In January 2025; Office Rate Drops To 9.0%
ABS	Credit Union Auto Loan ABS Issuance Growth Continued In 2024, Buoyed By New And Repeat Issuers
	U.S. Auto Loan ABS Tracker: Full-Year And December 2024 Performance
Esoteric ABS	Structured Finance Esoteric Quarterly Roundup: Q1 2025
CLO	CLO Insights 2025 U.S. BSL Index: Exposure To 'B-' Assets Ticks Up In Q4; 'BB's From New Issue CLOs And Refi CLOs Compared
	Private Credit And Middle-Market CLO Quarterly: Waiting For The Sun (Q1 2025)
ABCP/Muni-Structured	Tender Option Bond 2025 Outlook

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