

New Private-Label RMBS May Thaw Jumbo Market: Report

by DIANA GOLOBAY

The mortgage finance industry is abuzz with word of new residential mortgage-backed securities (RMBS) issued by private investment firms — the first such planned issuance in more than a year, and some say a sign that the credit freeze may be thawing out for private-label RMBS.

Al Yoon of *Reuters* broke the story late Wednesday, indicating any new issuance will likely consist of jumbo mortgages with initial principal balances over \$417,000.

Sue Allon, CEO of due diligence and risk management solution provider **Allonhill**, projected a new securitization will reach the market within the next two months.

"Everyone has a goal of trying to see if they can get one out this quarter," she told Reuters.

While news of a planned private-label issuance is a welcome sign that the long winter may be finally thawing out, and private investor interest in RMBS may be returning, many analysts still assert the economics for new deal issuance are not quite there.

Sadie Gurley, a managing director at **Marathon Asset Management** told *Reuters* that she expects that "by the first half of the year we will have one."

HW's Linda Lowell <u>noted Wednesday</u> that analysts at **JP Morgan Chase** estimated that a plain-vanilla private-market issuance would price just below par — "par value" refers to the value of the loans underlying the deal. A deal pricing below par would lose money for the issuing entity.

The news comes as the **Federal Reserve** nears the end of its \$1.25trn in purchases of agency MBS with the aim of encouraging private investors to step back into a leading demand role.

Write to Diana Golobay.