

## Securitization

Securities backed by assets such as mortgage loans, equipment leases and accounts receivable have become a major funding source for businesses worldwide, creating a market valued at trillions of dollars. Andrews Kurth is a recognized global leader in representing issuers and underwriters of asset securitization transactions. The number and total dollar volume of the deals we close each year are consistently ranked by legal and financial publications such as *The American Lawyer*, *Asset-Backed Alert* and *Commercial Mortgage Alert* as among the most by any law firm in the country.

### **An outstanding record of “firsts”**

Our securitization lawyers are based in the firm’s Dallas, Houston, London, New York and Washington, DC offices, and work together with tax, real estate, banking, corporate finance, project finance and bankruptcy lawyers firmwide. We regularly handle securitization transactions in Latin America as well as North America, and have been involved in numerous industry “firsts,” including:

- The first public credit card securitization
- The first senior/subordinated auto loan securitization
- The first subprime auto loan securitization
- The first resecuritization
- The first securitization transactions conducted in Argentina and Chile
- The first securitization to include currency inconvertibility insurance coverage for the senior class of bonds (representing Argentina’s largest mortgage bank)
- The first credit tenant lease commercial mortgage loan securitization to rely on Mexican credit

### **Recognized leadership in mortgage-backed securities**

We represent the full spectrum of participants in the mortgage-backed securities market and have helped numerous mortgage originators, sellers and securitizers create and implement their programs. Since the early 1980s we have helped our clients securitize packages of single and multi-family mortgage loans, commercial mortgage loans and leases, and home equity and property improvement loans into a variety of investment packages, including:

- Collateralized mortgage obligations
- Mortgage pass-throughs
- Mortgage interest and principal strips
- Loan participation sales
- Conforming and nonconforming whole loans
- Real estate mortgage investment conduits (REMICs)
- Credit tenant lease financings
- Mortgage-backed preferred stock

In these and other structures, we help our clients originate the mortgage loans, purchase them for pools to be securitized and coordinate the investment disclosure and transaction documentation. We also can provide all the specialty tax and bankruptcy opinions required in these transactions. In addition to issuers and underwriters, we have also represented institutional purchasers and servicers involved with various mortgage-backed securitizations, as well as a nationally recognized rating agency in connection with domestic securitizations and international structured financings.

### **Wide-ranging experience in asset-backed loans**

Our lawyers work with numerous sponsors and issuers of securitization transactions backed by a wide range of financial assets, including:

- Residential first mortgages

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- Home equity loans
- Auto loans and leases
- Aircraft and equipment leases
- Credit card and other receivables
  
- Cross-border remittances
- Franchise loans and royalties
- Collateralized bond obligations
- Music royalties
- Energy assets Often our work with such transactions involves unusual asset classes and structures. For example, we have represented:
  - Specialty consumer finance companies in securitizing home equity and property improvement loans
  - The financing arm of a major Japanese auto manufacturer in establishing auto loan and lease shelf registration statements
  - Domestic auto finance companies in public and private securitizations of subprime auto loans
  - Commercial lease finance companies in structured warehouse facilities for operating and finance leases
  - Retail companies in structured warehouse lines and securitizations of consumer receivables.

### Comprehensive and unique CMBS services

Because we represent loan originators, loan sellers, investors, servicers, issuers and underwriters, and have advised one of the major rating agencies, we are at an information intersection in the commercial mortgage-backed securities (CMBS) market. Our lawyers have a comprehensive view of the CMBS industry, and use it to develop “best practices” for our clients. Our key strengths and services include:

- **Strategic transactional partnership.** We have developed a proprietary system of data capture and legal risk analysis that gives our clients superior understanding of each asset in a securitized lending pool. The results are high marks from rating agencies, more comprehensive data for investor inquiries and disclosure, and fewer loan kick-outs.
- **Proprietary business methods.** Using our proprietary system, we capture and evaluate loan information at the time of each loan closing. This critical step in CMBS execution enables our team of lawyers to create an Issues Memo on each transaction, facilitating the process of rating, documenting and securitizing the loan pool.
- **Whole business integration.** We fuse the origination, securitization and servicing lines of business. Our lawyers review legal data records and prepare a “legal takeaways” memorandum following each loan pool, providing immediate and direct feedback on the loans they have closed.

We have advised commercial mortgage loan originators on thousands of mortgage loans secured by properties in all 50 states, involving multifamily, retail, industrial, hotel, office, health care, mobile home park, self-storage, quick-service restaurant, convenience store, gas station, mixed use and other properties. We use this experience to help our clients implement conduit origination programs with loan processing systems and protocols that assure consistent quality and cost effectiveness. In so doing, we can mitigate borrower and transaction structure issues that could jeopardize the deals. We have also structured and advised borrower and lender clients on large loan transactions, including a sale/leaseback securitization of a Fortune 500 company’s headquarters. In addition to single asset and pooled loan securitizations, our lawyers also negotiate a variety of loan warehouse and mortgage loan purchase facilities on behalf of originators and lenders.

### Collateralized debt obligation experience

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Our securitization lawyers' first experience with CDOs occurred in 1993 when we represented issuers in both public and private resecuritizations of mortgage-backed securities. We have represented trustees and back-up servicers with respect to CDOs. In addition, we are currently representing a CDO issuer in the formation of a real estate investment trust that will have as its strategy the issuance of CDOs and retention of the equity in such CDOs.

### **Commercial paper programs**

Andrews Kurth's securitization group has represented issuers and borrowers establishing commercial paper programs with a number of asset classes, including residential and commercial mortgages, construction products receivables, oil and pipeline receivables and credit card receivables.

### **Strength in international securitizations**

Andrews Kurth has helped pioneer the international securitization market. Our lawyers handled the first mortgage securitizations in Argentina and Chile, and represented a multinational Argentine oil company in securitizing \$900 million in oil export receivables. We have also facilitated innovative U.S.-Mexico cross-border securitizations, including the first Mexico-based credit lease backed transaction.

In conjunction with our London office we are actively pursuing securitization opportunities in the United Kingdom and Continental Europe, including the representation of the International Finance Corporation in developing legislation to create a mortgage-backed securities market in Russia and the Ukraine.

### **Comprehensive strength in the securitization market**

Since the 1980s, asset securitization has become an indispensable source of flexible financing for companies around the world. Building the securitization market and expanding its reach has required innovation across national borders—and Andrews Kurth has played a leading role in its development.

*Our lawyers have helped create the securitization market in a number of countries, and have developed a variety of new financing instruments in the U.S. Having an eye for opportunities and using straight talk in advising our clients how to realize them, we are leaders at putting financial assets to work.*