Index

Absolute prepayment rate, 89
Accelerated distribution percentage, 110
Accounting. See Capital; Operating leases considerations. See Project financing equity method, 279
Accreting swaps, 35–36
ACE Guaranty Re, 106
ACG Trust III
asset analysis, 351
collateral pool characteristics, 346–347
default events, 349
issuer overview, 346
lessee analysis, 351
maintenance, 351–352
parties, roles, 349–350
payment structure, 348–349
portfolio details, 350–351
pre-sale, 345–352
profile, 345–346
rationale, 346
remarking agent evaluation, 350
strengths/concerns, 347
surveillance, 352
transaction structure, 347–348
Actual/360 day convention, 48
Actual/360 day count, 30
Adjustable-rate residential mortgage loans, backing, 100
Adjusted discount rate. See Discount rate
Adjusted present value technique, 225
Advance rate, 83
After-tax proceeds, estimation, 227
ALCO 1
CDO, 152
Limited, 151
structure/tranching, 153
Ambac Assurance Corporation, 106
American option, 37
American-type options, 42
Amortization schedule, 83
Amortizing structures, revolving structures (contrast), 82–83
Amortizing swaps, 35–36, 97
Andacollo Gold Mine (market risk; operating risk), 274
Annual percentage rate (APR), 86
Anson, Mark J.P., 48
Application service providers (ASPs), 273
Arbitrage CDO, 120
creation, 125
structure. See Synthetic arbitrage CDO structure
Arbitrage motivated CDOs, 124–127
Argentina, methodology test, 312–313
Armstrong, Don, 224
Arturo Merino Benitez International Airport, 267
Asian financial crisis, 285
Asset-backed CP (ABCP), 14, 157–162
characteristics, 158–160
conduit, 158–159. See also Synthetic ABCP conduit
credit enhancement, 160–161
hypecritical structure, terms, 163
issuance, 158
issue/structure, 159
liquidity support, 160–161
market, 173
structure, illustration, 161–162
usage, 156
Asset-backed presale report. See CNH Equipment Trust 2006-A
Asset-backed securities (ABS), 9, 65, 119. See also Auto loans; Fully funded ABS
CDS, 9
collateral, 71
deal, 124
investment, diversification, 124
issuance, 70
issuers, 67, 81
products, 151
sector, 63
securitization, benefits, 79
structured finance, 339–343
usage, 89, 140
Assets analysis. See ACG Trust III
classes, Basel II capital requirements, 294
correlation, 150
financing, 215
gross amounts, 220–221
growth, support, 76
managers, 122
expectations, 62
pool, attributes, 83–87
purchase, 172
remaining maturity, 292
reversing pool, 116
risk
identification/isolation, 5
transfer, 13
securitization, entity reasons, 70–79
transfer, 5
transformation, 143
value, difference, 84
Asset swaps, 45, 54–57. See also Investors agreement, 56–57
spread, 56
structural features (removal), 57
structure package, dealer creation, 56–57
At the money option, 40
Auto loans, 159
ABS, loan rate, 86
auto-loan-backed deals, pre-payments, 89–90
Available funds cap, inclusion, 100
AXA Re Finance, 106
Back-up servicer. See CNH Equipment Trust 2006-A
requirement, 81
Baker, Cynthia A., 303
Balance sheet
asset-liability management, 162–163
capital management, 77–78
CDOs, 120, 124
structure. See Fully funded synthetic balance sheet
CDO structure static synthetic CDO, 143
Basket default swaps, 45, 51–54.
Basket CLN, 190
Basis swaps, 36, 60
Basis risk, 98–102
Bank for International Settlement (BIS), 287
definition. See Structured finance
Bankruptcy, definition, 46
Bankruptcy remote entities, 72
Bankruptcy-remote legal entity, 159
Banks
balance sheet impact. See Originating banks
capabilities, 286
debt-service LOC facility, 275
deposit-taking capabilities, 12
lending, 12
letter of credit, issuance, 106
loans, 119
losses, 292
savings product, offering, 7
Barajas, Dino, 20
Barbour, Ian, 297, 301
Bargain purchase option, absence,
Barajas, Dino, 20
Barbour, Ian, 297, 301
Bargain purchase option, absence,
Barajas, Dino, 20
Barbour, Ian, 297, 301
Bargain purchase option, absence,
Barajas, Dino, 20
Barbour, Ian, 297, 301
Bargain purchase option, absence,
Chicago Board of Trade (Cont.)
Treasury bond futures contract, trading, 25–26
Choudhry, Moorad, 4, 48
Cilia, Joseph, 194

CIT Equipment Collateral 2006-
VTI annual pool review, 369
cash flow modeling, 370
CCA, 369–370
step-down feature, 366
changes, 366
collateral
analysis, 368–369
collateral pool, 369
credit analysis, 369
enhancement, 369
cumulative net loss trigger, 371
delinquency, 370
expected ratings, 365
floors, 371
initial credit enhancement, 366
legal structure, 367
loss estimate, 369
performance, 370
net loss trigger, 371
operations review, 371–372
payment priority, 370–371
performance analytics, 365
portfolio performance, 367
securitization history/perform-
ance, 367–368
segment overview/origination,
371–372
sequential trigger levels, 366
static pool review, 369
strengths/concerns, 365
stress scenarios results, 370
structural considerations, 370–
371
structured finance, asset-backed
pool performance, 366
summary, 355
transaction, parties (involve-
ment), 356

CIT Global N.V., 357

Collars, 44

Collateral
analysis, 82
credit quality, 80–81
description, 82–87
diversification score, 129
pool characteristics. See ACG
Trust III

Collateralized bond obligations
(CBOs), 119
collateral managers, 127
portfolios, reduction, 127

Collateralized debt obligations
(CDOs), 119, 297. See also Arbitrage motivated
CDOs; Balance sheet; Cash flow; Portfolio;
Unfunded CDO analysis, factors, 150–151
Diversity score value, 150
flowchart, 121
interest rate swap agreement,
125
manager, 126
originator, equity retention
(considerations), 138
portfolio, credit quality, 122
sponsor motivation, 124–127
structures. See Partially
funded synthetic CDO structure; Synthetic arbi-
trage CDO structure; Synthetic CDOs;
structuring, benefit, 139
usage, 11
yields spreads, 151

Collateralized funded synthetic
MBS, 299

Collateralized loan obligations
(CLOs), 119, 124
Collections. See CIT Equipment
Collateral 2006-VTI

Commercial letter of credit, 106
Commercial MBS (CMBS), 9,
63, 119

See also Asset-backed CP
interest, 159
investors, 248
issue, 157
proceeds, 171
market, 128
rate, 97
usage, 155, 174
Committee on Bankruptcy and
Corporate Reorganizations,
Association of the Bar of the
City of New York, 2, 3
Committee on the Global Finan-
cial System (BIS), 2
Commodity Futures Trading Com-
mmission (CFTC), 21
Commodity price volatility, 285
Commodity pricing risk, 285
Common stockholders, equity, 288
Competition trends, 116
Compliance tests, 127–131
results, 128
Concentration risk, 79
Conditional default rate (CDR), 91
Conditional prepayment rate
(CPR), 89
Conventional CP programs, 157
Conventional linked notes, S&P linked notes (contrast), 205
Credit default swaps (CDs), 45, 48–50. See also Asset-backed securities; Single reference name
index, 50–51
mechanics, 50
market practice, 49
mechanics, illustration, 49
settlement, 48–49
usage, 136, 298
Credit dependent market interest rate risk, 62
Credit derivatives, 45
Basil II, impact, 293–296
CLN, 183
contracts, protection. See Reference assets documentation, 45–48
funded/unfunded variants, 181
terms, 45–48
usage, degree, 149
Credit enhancement, 71, 104–113. See also Asset-backed CP; CIT Equipment Collateral 2006-VT1; External credit enhancements; Internal credit enhancements features, 313–314
type/amount, 107
usage, 127–128
Credit-enhancing, cost, 105
Credit independent market risk, 62
Credit-linked notes (CLNs), 45, 138, 181. See also First-to-default CLN
Bloomberg screen, 185–189
description, 181–182
development, progression, 191
diagram, 184
illustration, 182
investor motivation, 182
issue, 134
settlement, 182–184, 191
tranched series, 299
usage. See Single reference name
Credit risk
absence, 253
requirements, 149
transfer, 147
Credit-risky bonds, 57–58
purchase, 53
Credit-supported CP, 156
Credit watch, 128
Creditworthiness. See Counterparty
Cross-border tax-advantaged securitization, 9
Cross collateralization, 111
Cross default, 46
Cross-support provision, 111
Crown Castle Towers LLC
cash flow analysis, 330–332
Credit enhancement, 332
investment grade tenants, non-investment grade tenants (contrast), 326
land designation, 326
legal structure, 327–328
manager/service, 332
Moody’s review, 330–332
net cash flow, geographic concentration, 325
opinion, 321–322
organizational structure, 328
payment priority, 330
portfolio overview, 324–327
ratings, 332
repayment summary, 329
representations/warranties, 332
revenue composition, 325
strengths/concerns, 322
structure, 332
structured finance, pre-sale report, 321–334
tenants, revenue composition, 325
tower site type, net cash flow, 327
transaction overview, 323–330
summary, 333
Culp, Christopher L., 282
Cumulative default rate (CDX), 91
Currency risk, 14, 261
Cumulative default rate (CDX), 91
Currency risk, 14, 261
Curtailment, 83
Customization factors, 199
Custom lease, 217
Daimler-Chrysler Financial, 156
Dattatreya, Ravi, 195
Davis, Henry A., 226
Day-count convention, 48
Dayton Mining Corporation, 256
income statements, 274
Dealer-issued paper, 157
Deal overcollateralization, 111
Deal sponsor, detriment, 15
Dean, Steve R., 213
Debt
arrangements, 239
investors, location, 254
leverage, increase, 262
repayment, 66
service. See Indenture trustees
solicitation lists, preparation, 256
Debt-placement memos, drafts, 256
Debt service coverage ratio (DSCR), 84
Debt-to-equity ratio, 222
Defaulted reference entity, pay-out, 52
Default probability, reduction, 191
Defaults, 90–93
determination, 75
events, 115. See also ACG
Trust III; CNH Equipment Trust 2006-A
measures, 91–92
probability. See Probability of
default
rates, 150
rates, 80
risk, levels, 81
Default swaps. See Basket default
swaps; Credit default swaps;
Nih-to-default swaps
riskiness, comparison, 53–54
Deleveraged floaters, 200
Delinquent loan, 90
Delinquencies, 90–93
measures, 90–91
test, 113
Delinquent loan, 90
Deliverable basket, 26
Deliverable obligations, 49–50
delivery date, 23
depletion deductions, 283
Depreciation
deductions, 227, 283
schedule, 227
deregulation, 284
Derivatives. See Interest rate
market, categorization, 5
Derivative securities, categoriza-
tion, 6
Derivative-type payoffs, 195
DeSear, Edward, 4
Development Bank of Singapore
(DBS), 152–154
Development bonds, role. See
South Africa
Dill, David A., 225
Direct cash flows. See Leasing
assumption, 229
Direct leases, 237
Direct paper, 157
Disclosure, increase, 20–21
discount rate. See CNH Equipment
Trust 2006-A
adjustment, 229, 233
usage, 223
assumption, 226
increase, 226
usage. See Capital
Distribution waterfall, 104
diversity score value. See Collat-
eralized debt obligations
Dividends-received credits, 283
dollar-based PPA’s, 271
Dollar LIBOR, 25
Dollar net interest, present value, 74
Dollar net interest spread, receipt
(assumption), 74
Domestic leasing companies, 248
Drax, UK (market risk; high
leverage/purchase price), 268–269
Dual-indexed floaters, 201
Dymond, Christopher, 18, 21–22
Earnings before interest, taxes,
depreciation, and amortization
(EBITDA), 273
Easements, 250
EBITDA. See Earnings before
interest, taxes, depreciation,
and amortization
Economic capital relief, 77
Economic efficiency, 108
Economic goals, 262
Economic life, 227
Economic losses, coverage, 292
Economic obsolescence, 213
Effective date, 30
Emerging economies
municipal future-flow bonds,
applicability, 317–319
Emerging economies, lessons, 309
Emerging Issues Task Force (EITF)
Issue 90-15, 280
Issues 04-7, 281
Emerging market-backed CDOs, 119
Emerging market bonds, 119
Empirical model, 85
Energy trading business, skeptic-
ism (increase), 16
Engineering phase. See Project
financing
Enhance Re, 106
Enron
bankruptcy protection, 18–19
impact. See Project finance
case study. See Structured
finance
Equipment disposal, 214–215
risk, 214
leases, types, 208–211
leveraged leases, 210, 238
portability, inability, 249
tax-oriented leasing, 216
Equity
commitment letter, 256
contributions, payment, 251
cycle, 135
lists, preparation, 256
piece, retention, 138
placement memos, prepara-
tion, 236
tranches, 127
Equity-linked structured notes,
204–206
Equity participants
benefit, 240
credit exposure, 253
impact. See Owner trust
involvement, 239–240
loan participants, conflicts of
interest, 242
Equivalent loans, 229
concept, 231–233
usage. See Leases
Eurodollor CD, 25
futures, 25
European call option, fair price
(computation), 42
European option, 37
European-type options, 42
Excess cash, investment, 160
Excess spread, 87, 128. See also
CNH Equipment Trust
2006-A
accounts, 112
self-insurance, 112
Exchange-rate instrument, 289
Exchange-traded options, OTC
options (contrast), 39–40
Exercise price, 37
Exotic options, 39
Expected initial annual excess
spread. See CNH Equipment
Trust 2006-A
Expected loss (EL), 291. See also
Unexpected loss
calculation, 302
Expiration date, 37
Export credit agencies (ECAs), 273
Exposure-at-default (EAD), 292
Extendible bond, grant ability, 193
Extendible swap, 35
External credit enhancements,
105–106
Fabozzi, Frank J., 4, 48, 95,
127, 239, 254, 260, 262,
264–265, 277, 282
Facility leases, 218, 249–253
Facility support agreements, 250
purpose, 249
Failure to pay, 46
Fair Isaac model, 85
Federal Deposit Insurance Cor-
poration (FDIC), 290
Federal Energy Regulatory Com-
munity (FERC), 21
Federal Home Loan Bank (FHLB),
194
System, 203
Federal income tax requirements.
See True lease transactions
Federal National Mortgage Asso-
ciation (FNMA), 175
Federal Reserve Bank of Chi-
cago, report, 194
Feldman, Roger, 16–19, 21
FERC. See Federal Energy Regu-
latory Commission
FGIC. See Financial Guaranty
Insurance Corporation
FHLB. See Federal Home Loan
Bank
Fiberoptic Link Around the Globe
(FLAG) (market risk; high
leverage), 273–274
Financial reporting.
Financial instruments, inclusion, 10
Financial institutions, balance sheet
Financial insolvency.
Financial innovation, 285
Financial Guaranty Insurance
Financial advisers, 217
Financial Accounting Standards
Fifth-to-default swap, 54
FICO scores, 85
Fixed-rate security, creation.
Fixed-rate renewal
Fixed-rate receiver, 27–28
Fixed-rate security, creation. See Synthetic fixed-rate security
FLAG. See Fiberoptic Link Around the Globe
Flexible Treasury futures options, 40
Floating cash flow, definition, 10
Floating LIBOR-based rate, 55
Floating-rate bond, 29
Floating-rate bondholders, 127
Floating-rate cash flows, 95–96
Floating-rate payer, 60
Floors, 43–44. See also CIT Equipment Collateral 2006-VT1
Ford Motor Credit Company, 156
Foreign banks, 248
Foreign tax credits, 283
Forrester, J. Paul, 4, 282, 303
Forward contracts, 23. See also Interest rate
package, 28
Forward price, 24
Forward-start swap, 30
Fowkes, David, 224
Franks, Julian R., 229
Free cash flow
recurrence, 16
sources, 18–19
Free excess spread, 87
Full payout leases, operating leases (contrast), 211
Full-payout-type leases, 216
First to default, 54
Fully funded ABS, 11
Fully funded CDO, 145
structures, 134
Fully funded debt-service reserves, 285
Fully funded MBS, 11
Fully funded synthetic balance sheet CDO structure, 145
Fully funded synthetic CDO, 190
Fully funded synthetic CDO, 146
unfunded structure, 141
Fully unfunded CDO, 145–146
Funded synthetic MBS, 299–301.
See also Partially funded synthetic MBS; Unfunded synthetic MBS
Funded TRS contracts, usage, 175
Funding
costs, reduction, 32
potential, 70–72
leg, 60
mechanics. See Synthetic CDOs
mix, diversification, 76
obtaining, 76
sources, diversification, 72
structures. See Securitized funding structures; Synthetic funding structures
TRS trade, 166–167
usage, 76–77
Future-flow credit card securities, 7
Future-flow financings, ratings.
See Mexico
Future-flow securitization, 310–311
Futures contracts, 23–26
classification. See Interest rate
options, 40
price, 24
Gainor, Edward, 4
Gallogly, Brian P., 4
GE Commercial Equipment Financing LLC, Series 2003-1, 99
Geertsema, Paul, 4
Generally accepted accounting principles (GAAP), 19, 72
disclosures, 281
guidance, 279
General Motors Acceptance Corporation, 156
Generic synthetic CDO structure, 136
German Bonds (Pfandbriefe), 145
series, 175
Gold, Barry, 17, 20
Gold, Barry P., 4
Golden Claw
costs, 173
funding, 172
Goodman, Laurie S., 127
Goodwill, absence, 288
Government financial insolvency, 266
financing, 248
guarantor, 242
interference, 266
Government National Mortgage Association (GNMA), 173
Government-obligation ratings. See Mexico
Griffiths, Jeffrey J., 4
Gruss WAC, 86
gross weighted average contract rate, 86
Grow, Brian D., 95
Guarantee, issuance, 106
Guaranteed investment contract (GIC), 174
account, 299
usage, 152
European market definition, 299
Guarantors, 239. See also Government involvement, 242
Guideline lease, 209
Guidara, James, 21
Hedge fund interests, 164
Hell or high water clause, 245
Heiber Machine Shop Company, 226–232, 234
High risk lending, 264
High yield bond offering, 276
High-yield corporate bonds, 119
bonds, 127
sector, 63
Hodges, Stewart D., 229
Index

Honda Auto Receivables 2006-1
Owner Trust, 339–343
Hostaler, Katie, 297, 301
Hybrid capital instruments, 288
Hybrid instruments, 181–182
Ijara principle, 8
Illiquid assets, reorganization, 8–9
Implied repo rate, 26
Income distribution, 123
mechanism contract, 268
Indemnities. See Lessees
Indenture trustees
debt service, 251
duties, assumption, 242
funds, receipt, 241
involvement, 241–242
Independent power projects (IPPs), 271
Indexed inverse floater, 203
Index swaps, 45
Industry trends, 116
Infrastructure requirements, 284
Initial credit enhancement. See CIT Equipment Collateral 2006-VT1
Initial public offering (IPO), 269
Institutional investors, 69, 248
borrowing, 210
inclusion, 278
interest rates, facing, 196
needs, 279
Insurance, 285
risk, 261
Insurance wraps, 128
Inter-company loans, 178–179
Interest allocation. See CNH Equipment Trust 2006-A
deductions, 283
floating rate, 247
payment, 33
Interest coverage (IC) ratio, 130–131
tests, 130–131
trigger, 131
Interest-only spread, 73
Interest-only strip, value, 75
Interest rate caps, 102–103
corridors, 102–103
derivatives, 23, 98
proceeds, 99–100
usage. See Securitization
environment, 196
forward contracts, 23–24
futures contracts, classification, 24–25
level, usage, 10
options. See Over-the-counter
interest rate options
risk, 14
structured notes, 199–204
variation, 264
volatility, 286
Interest rate swaps, 26–36, 95–98. See also Nongeneric interest rate swaps agreement. See Collateralized debt obligations application, 32–35
comparison. See Total return swaps
diagram, 27
market quotes, 30–32
perspective, 28
termology/conventions, 30–32
term, 33
usage, 200. See also Inverse floaters
Interest swaps, structuring, 127
Interim lease term, 251
Intermediate-term preferred stock, 288
Internal assessment approach, 295
Internal credit enhancements, 105, 107–112
Internal rate of return (IRR) program, usage, 234
Internal ratings based (IRB) approach, 290, 292–294
Internal ratings based (IRB) banks, 295–296
Internal ratings based (IRB) formula, calculation, 292
Internal ratings based (IRB) framework, 291
Internal return objectives, meeting. See Project financing
Internal Revenue Code (IRC) guidelines, 208–209
requirements, 222
Internal Revenue Service (IRS). See also Revenue Rulings
adverse ruling, 224
avoidance, 213–214
capitalization, 218
cash flows, 246–247
classification, 219
commencement, 244, 251
commitments, 221
cost. See Full payout leases; Single-investor leases
equivalent loans, 231
usage, 232
expenses, 220
financing, side effects, 225
losses, allowances, 288
NPV, 230, 234
Lease, impact.
Letter of credit (LOC), 106.
Lessors
Lessees, 207
Lenders, involvement, 240
Leigland, James, 309
Leveraged floaters, 200.
Leveraged debt
forgiveness, 253
private placement, arrangement, 253
Leveraged floaters, 200. See also Deleveraged floaters
Leveraged leases
closing costs, 238
contrast. See Single-investor leases
debt, 247–249
documents, 245–246
financing, critical path chart, 258
flowchart, 244, 250
fundamentals, 237
leverage, 211
parties, involvement, 239–242
structure, 243–245
structuring/negotiating/closing, steps, 256–258
transaction, 242
closing, 245–246
true lease status, 210, 238
LIFFE. See London International Financial Futures Exchange
Limited-use property, 249
Lindsay, Jonathan, 16–18
Liquidation
proceeds, 109
rate, 92
Liquidity
facility, 302
fortification, 16
provider, 161, 302
support. See Asset-backed CP
Loans
agreement provision, 112
concentrations, 81
concept. See Equivalent loans
losses, allowances, 288
originator, 68
participants
conflicts of interest. See Equity participants
involvement, 240
payments, determination, 231
proceeds, payment, 251
risk weight, 294
table, 161
usage. See Nonperforming loans
Loan-to-value (LTV) ratio, 83–84
Local currency financing, 286
Lockout period, 83
London Interbank Offered Rate (LIBOR) See Dollar LIBOR; Straight LIBOR
fixed spread, 299
LIBOR-based funding, 163
access, 158
LIBOR-based rate. See Floating LIBOR-based rate
LIBOR-flat funding, 163
payment, 96
positive spread, 139
prime bank rate, 27
repo market, difference, 139
usage, 55
London International Financial Futures Exchange (LIFFE), 25
Long call position, 38
Long dated assets, usage, 160
Long futures position, 24
Long put position, 38
Long-term contract, 278
Long-term financing, 217
Long-term take-out financing, 264
Loss absorption, 288
Loss-given-default (LGD), 292
Loss rate, 81
Loss severity
measures, 92
rate, 82
Lower-cost funding, 157
LTV. See Loan-to-value
Lucas, Douglas, 4, 127
Maharashtra State Electricity Board (MSEB), 269–270
Managed static synthetic CDO, 143
Managed synthetic CDO, 141
Managed variable synthetic CDO, 143
Management, restrictions. See Leasing
Mandatory convertible debt securities, 288
Manufacturers, involvement, 242
Manufacturers suggested retail price (MSRP), 84
Margin requirements, 37
Marked-to-market, 24
Market risk, 261
impact. See Project financing
Market value, equilibrium (maximization), 225
Market value CDO, 120
Mark-to-market, 56
value, 289
Master lease, 217–218
Maturity
date, shortening, 193
mismatches, reduction, 76
profile factor. See Structured notes
structure, terms, 12–13
McCann, Karen, 194
McIsaac, Glenn, 17
Medium-term note (MTN), 160, 197
difference, 197–198
distribution, 198
program, usage, 198
usage, 174
Medou, Wanti (counterparty risk; political risk), 272–273
Mexico. See Municipal future-flow bonds
applicability, 311–312
financial crisis, 309–310
future-flow financings, ratings, 314
future-flow model, variations, 315–316
government-obligation ratings, 314
municipal bond issues, 314
Money, borrowing (after-tax cost), 238
Monetary obligations, payment, 238
Modified modified restructuring, 48
Modified Accelerated Cost Recovery System (MACRS), 237
MACRS-accelerated depreciation deductions, 253
tax benefits, 238
tax depreciation, 251
deductions, 240, 253
Modified modified restructuring, 48
Monetary obligations, payment, 238
Money, borrowing (after-tax cost), 238
Monthly payment rate (MPR), 92–93. See also Credit card receivable ABS
Moody's Investor Service, 3, 79, 84
Morel, Raymond, 95
Mortgage banks (MBs), See Commercial MBS: Partially funded synthetic MBS; Fully funded MBS; Funded synthetic MBS; Unfunded synthetic MBS
Mortgage-backed securities (MBSs), See Commercial MBS: Partially funded synthetic MBS; Fully funded MBS; Funded synthetic MBS; Unfunded synthetic MBS
case study, 297
deals. See Residential MBS deal structures, 298–301
Mortgage Bankers Association (MBA), 90
Mortgage deal interest mechanism (shift), 109–111
Multicurrency financing, 248
Multiple step-up note, 200
MultisPV syns synthetic conduit fund-
ing structure, 175–176
Municipal Bond Insurance Association (MBIA), 106
Municipal bond issues. See Mexico
Municipal bond markets, basics, 319–320
Municipal future-flow bonds. See South Africa
Municipal future-flow bonds (Mexico), 309
applicability. See Emerging economies
conclusions, 319–320
costs/risk, 316–317
costs/risk, 316
enhancement costs, 316
funds, flow, 313
local government, role, 319
model, variations, 315–316
moral hazard, 316–317
National
national government, role, 319
over-borrowing, 316
stakeholder scrutiny, absence, 316–317
transaction costs, 316
Murabahah (existing assets), 8
MVL Film Finance LLC
MVL Film Finance LLC
company background, 336
film slate, 336
opinion, 335
quantitative analysis, 337
rating summary, 336–337
structured finance, new issue report, 335
structure summary, 338
transaction structure, 336–337
Myers, Stewart C., 225, 230
National Irrigation Administration (NIA), 276
Nationally Recognized Statistical Rating Organization (NRSRO), 295
Net excess spread, 87
Net interest margin (NIM), 103
Net interest margin (NIM), 103
Net interest spread, 73
Net lease, 208. See also Triple-net lease
Net loss trigger. See CIT Equipment Collateral Collateral 2006-VT1
Net operating income (NOI), 84
Net present value (NPV), 226. See also Leases
lease valuation model, 235
Net WAC, 87
rate, 112
Nevitt, Peter K., 239, 254, 260, 262, 264–265, 277, 282
New Electricity Trading Arrangements (NETA), 268
New issue report. See MVL Film Finance LLC
Noncapitl startup expenses, 289
Noncapital startup expenses, 289
Nongeneric interest rate swaps, 35–36
Nonleveraged leases, 237
Nonperforming loans, usage, 302
Nonrecourse, term (usage), 22
Nonrecourse entity, 18
Nondefault-oriented leases, 208–209, 212
Nondefault-oriented true leases, tax-oriented true leases (contract), 222
North American Investment Grade Index, 50
Notes
benchmarking, 114
futures. See U.S. Treasury notes futures
interest, fees, 141
issuance, 244
Notional amount, 27. See also Swaps
calculation, 43–44, 48
Notional coupon, 25
Notional coupon, 25
ith reference entity, payout, 52
ith-to-default swaps, 51–52
Obligation acceleration, 46
Obsolescence. See Economic obsolescence
Technology obsolescence
risk, 214–215
OECD bank
counterparty status, 135
requirement, 149
risk arrangement, 147
swaps
counterparty status, 143
setup, 143
OECD countries, 288
Off-balance-sheet financing, 218
instruments, 287
leases, 224–225
term, usage, 22
treatment, 17, 224
Office of the Comptroller of the Currency (OCC), 290
Office of Thrift Supervision (OTS), 90, 290
Offshore leas, 218
Offshore SPV, CP issuance, 176
Offshore synthetic funding structures, 173–176
vehicle, 174–175
Offtake failure, 266
On-balance-sheet financing, 16
Operating costs, payment, 263
Operating leases accounting, 219–220
contrast. See Full payout
leasing
Operating liabilities, 13
Operating risk, 261
impact. See Project financing
Operations review. See CIT Equipment Collateral Collateral 2006-VT1
OPIC, 270
Options, 36–43
contrast. See Exchange-traded
options
intrinsic value, 40
premium, 37
price, 37
risk/return characteristics, 38–39
time to expiration, 41
time value, 41
valuation, 40–42
Options on physicals. See Physicals
Originating banks, balance sheet impact, 76

Index 381
Political risk

Plain vanilla financial transaction, 183, 191

Physical settlement, 129–130

usage, 160

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43

Over-the-counter (OTC) options contrast. See Exchange-traded options market, 39, 42–43

Over-the-road vehicles, tax-orientation, 148

Over-the-counter (OTC) interest rate options, 42–43
Index

Reference assets (Cont.)
credit derivative contract protection, 136
credit performance, 140
mix, 192
ownership, 59
Referenced notes
purchase, 172
TRS funding structures, combination, 177–179
Reference entry, 53
bond issue, 49
credit rating, 186
obligation, 46
Reference interest rate, 202
Reference portfolio, 136
Reference rate, 27, 43
basis, 95–96
Regional Electricity Companies (RECs), 268
Regulatory capital, 287
relied, 77
Regulatory issues, 116. See also Structured finance
Reinvestment period, 122–123
Remarketing agent evaluation.
See ACG Trust III
Rental payments, 247
balance, 246
Rent obligations, payment, 250
Repackaging structures, 119
Repudiation/moratorium, 46
Research and development tax
controversy, 242
guarantees, 285
ratios, 158
increase, 76
improvement, 78
occurrence, 46–47
Retractable bond, granting ability, 193
Return on equity (ROE)
improvement, 78
increase, 76
ratios, 158
Revenue
guarantees, 285
payment, 244
Revenue Procedure 75–21
controversy, 242
useful life tests, 249
Revenue Ruling 55–540, 222–223
Reverse inquiry, 197
Revolving period, 122
Revolving structures, contrast.
See Amortizing structures
Risk. See Counterparty; Interest rate
management, 78–79
partitioning, 9
phases. See Project financing
tolerance, increase/decrease, 284–285
transfer, 5
weighting, determination, 294
Risk-based capital requirements, 106
Risk/return customization factor, 199
Risk/reward profile, 148
Risk-weighted assets, 143
assumption, 78
value, 288
Risk-weighted reference portfolio, 145
Rode, David C., 215
Russian default (1998), 285
Sale-and-leaseback transactions, 218
Scaling factor, application, 291
Scholes, Myron, 42
Scaling factor, application, 291
Senior tranches, 123
Senior/subordinate bond classes, 112
Senior-subordinated structure, 108–111
usage, 109–111
Seniority, 110
Senior percentage, definition, 109–110
Senior prepayment percentage, 110
Second-to-default swap, 52
Second-to-default basket swap, 52
Second-to-default swap, 52
Secured loans, lease issuance, 229
Securities and Exchange Commission (SEC)
registration, 156
Rule 144a, 278
ruling, 278
Securitization, 13–14, 284. See also Basel II; Synthetic securitization
banks, motivation, 76–79
Basel II, impact, 293–296
benefits. See Investors
entity reasons. See Assets
history/performance. See CIT Equipment Collateral 2006–VT1
illustration, 67–70
detail, 113–117
market, 294
principles, 65
process, 70
structure, 69, 95
techniques, usage, 10
transactions, interest rate derivatives (usage), 95–104
Securitized assets, 66
Securitized exposures, balance sheet treatment, 11
Securitized funding structures, 155
Securitized transaction, definition, 66–67
Security agreement, signing, 244
Security interests, 19
Segment overview/originations.
See CIT Equipment Collateral 2006–VT1
Self-supporting project financings, 261
Seller, 36–37, 42. See also Swaps
quality, 80, 81
Senior basket default swaps, 53, 54
Senior bond classes, 69
cash flow characteristics, 111
Senior compliance tests, failure, 123
Senior interest, 110
Senior percentage, definition, 109–110
Senior prepayment percentage, 110
Senior/subordinate bond classes, 112
Senior-subordinated structure, 108–111
usage, 109–111
Seniority, 110
Seniority, 110
Servicer, quality, 80, 81
Servicing. See CIT Equipment Collateral 2006–VT1
Service debt, 263
Servicer, quality, 80, 81
Servicing. See CIT Equipment Collateral 2006–VT1
fee, 73, 141
involvement, 68
Setting date, 30
Settlement, 23. See also Credit-linked notes
period, 43
process, 183
Shifting interest structure, 109
Short call position, 38
Short futures, 21
Short position, 24
Short put position, 38–39
Short-term lending, 264
Short-term risk-free interest rate, 41
Silver, Andrew A., 4
definition. See Structured finance
Simulation modeling, 151
Single-investor leases, leveraged leases (contrast), 210–211
Single-investor lessor, impact, 237
Single-investor nonleveraged leases, 238
Single monthly mortality (SMM)
rate, 88–90
calculation, 88
Single-name CDS, 48, 50–51
Single reference name
CLN, 190
credit default swap, 190
Single step-up notes, 200
Single tranche, issuance, 148
Single-tranche synthetic CDO, 147–148
Synthetic transactions, 5, 149
- investor risks, 140–141
- Take-and-pay contract, 278
- Take-or-pay contract, 278
- Take-or-pay contracts, 277
- Take-out financing. See Long-term take-out financing
- Tan, Madeleine M.L., 4
- Tavakoli, Janet, 4
- Tax considerations. See Project financing
- Tax credit, usage, 226
- Tax law
- Tier 2 capital, 288
- Tier 1 capital, 288
- Thym, Jennifer, 301
- Threshold, 53
- Three-party transactions, 211
- Three-party writings, 144–145
- Third-party guarantees, 66
- disadvantage, 103
- Third-party leasing company, 218
- Third-party rents, guarantees, 242
- Third-party sponsor, 260–261
- Three-party transactions, 211
- Tier 1 capital, 288
- Tier 2 capital, 288
- elements, 293
- Time horizon, 292
- Time value, 40
- Total contingent lease payments, 222
- Total return bond index swap, 58
- Total return credit swaps, 58
- Total return index swaps, 58, 63
- Total return payer, 58–59
- Total return receiver, 58, 61
- Total return swaps (TRSs), 45, 57–58. See also Basket TRS, Unfunded TRS
- approach, 164
- basket value, 170–171
- counterparty, 164
- diagram, 39
- drawback, 60
- economics, 58–63
- funding structures, combination. See Reference notes
- illustration, 61–62
- interest rate swaps, comparison, 60–61
- reset date, 168–169
- structure, 177
- trade, funding, 165
- usage, 60, 136
- Toyota Auto Receivables 2003-B Owner Trust, 96
- Trade date, 30
- Tranches, 68. See also Equity ratings, 146
- Transaction
closure, 111
- costs, 149
- sizing, 107
- Transparency, increase, 20–21
- Treasury bonds. See U.S. Treasury bonds
- Treasury notes. See U.S. Treasury notes
- Triggering event, 299
- Triggers, 112–113
- levels. See CIT Equipment Collateral 2006-VT1
- term, meaning, 112
- Triple-net lease, 208
- True lease transactions, federal income tax requirements, 222–224
- True sale, 14
- True-sale asset swap, 57
- True-sale issues, 149
- Trust certificates, issuance, 244
- Trustees
- assumption. See Single trustees
- involvement. See Indenture trustees
- reports, 123
- Uchill, Lawrence E., 4
- Uncapped interest costs, 302
- Unconsolidated subsidiaries, equity investment, 279
- Underwriting. See CIT Equipment Collateral 2006-VT1
- process, information usage, 83–85
- standards, 68
- Unexpected loss (UL), 291
- Unfunded CDO, 146
- structure, 134
- Unfunded CDS, 152
- Unfunded structured finance transactions, usage, 11
- Unfunded synthetic MBS, 298–299
- Unfunded TRS, 57
- Universal Information Technology (UIT) Company, 204–206
- U.S. dollar-denominated bonds, 196
- U.S. investor purchase, 196
- U.S. Federal Reserve Board of Governors, 290
- U.S. Treasury bonds, 136
- futures, 25–26
- contracts, trading. See Chicago Board of Trade
- U.S. Treasury issue, delivery (consideration), 50
- U.S. Treasury notes futures, 25–26
- Useful life (deterioration), 215
- Vendor lease, 218
- Veresen, Hans, 4
- Widdien, William M., 91
- WAM. See Weighted average maturity
- Waterfall, 107, 123. See also Cash flow
- order, paydown, 116
- Watson, David, 143
- Weather-related securities, 7
- Weighted average contract rate, 85–87
- Weighted average cost of capital (WACC), 226
- usage, 230
- Weighted-average coupon, 128
- Weighted average coupon (WAC). See Gross WAC, Net WAC
- Weighted average maturity (WAM), 87
- Weighted-average rating, 128
- Weighted-average rating factor (WRF), 129
- Weighted-average spread, 128
- Wholesale price, 84
- Wurenklein, Jacob, 20–21
- Working capital conservation, 212–213
- requirements, 155
- World Bank, criteria, 197
- Writer, 36–37
- XL Capital Assurance, 106
- Yen assets. U.S. investor exposure (avoids), 196
- Yield maintenance agreement, 215
- Yield spread, 138. See also Collateralized debt obligations
- Ziser, Boris, 4