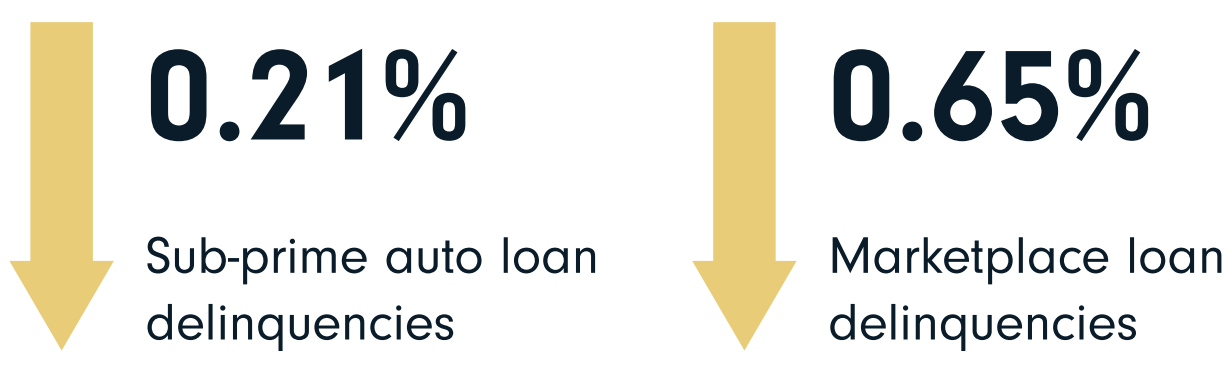


Securitization in Focus

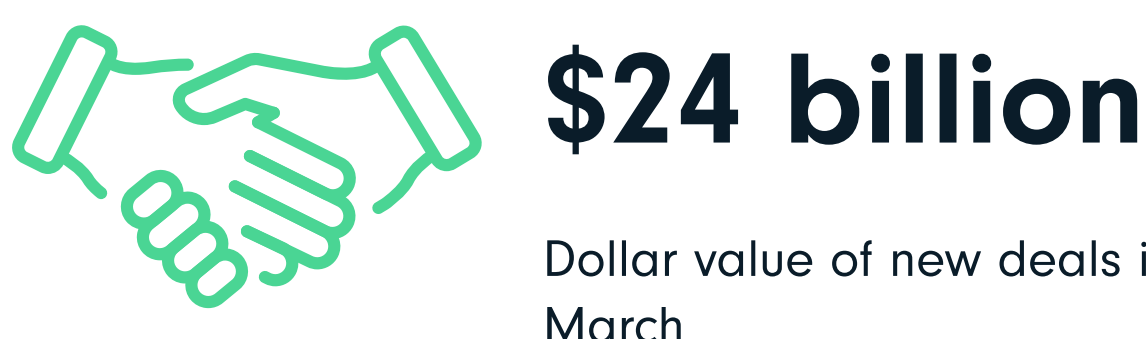
March 2023

Asset-Backed Securities (ABS)

Sub-prime auto and marketplace loan delinquencies decreased month over month, while prime auto and personal loans held firm. Credit card delinquencies continued their climb toward pre-COVID levels.

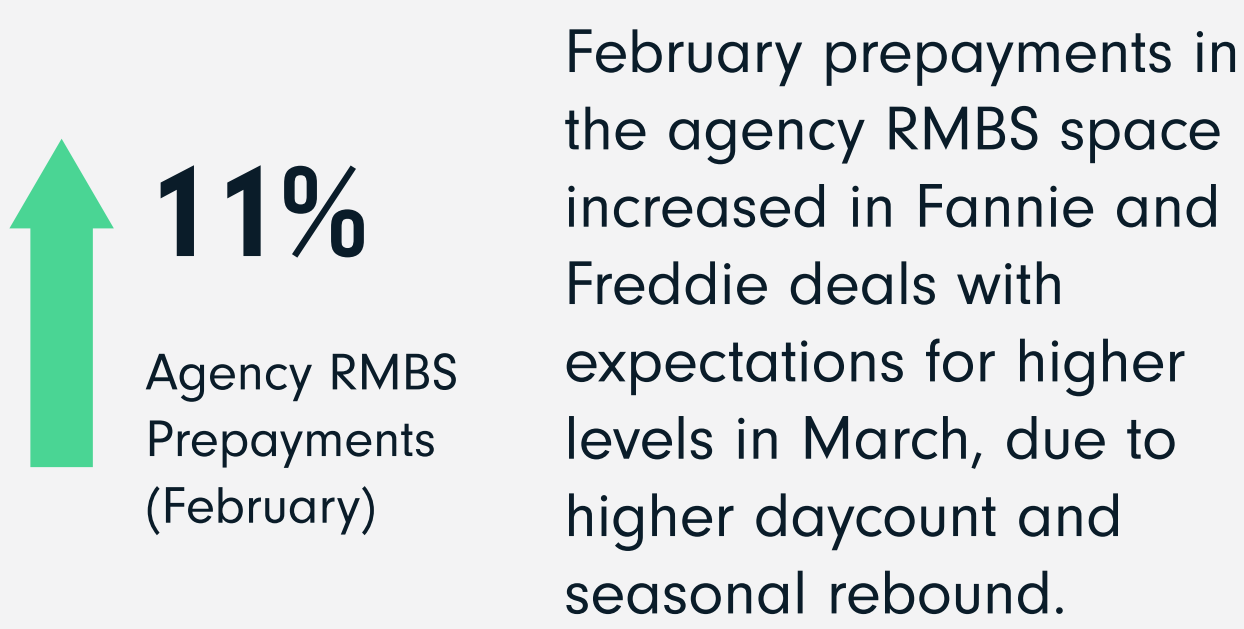


Issuers delivered \$24 billion in new deals in March, with more esoteric areas of the market supplanting the dominance of the auto industry. Auto continues to dominate on a year-to-date basis, consisting of more than half of total ABS issuance.



Month-over-month improvements across the ABS market can be partially attributed to tax refunds providing some support to borrowers.

Residential Mortgage-Backed Securities (RMBS)



Changes to the government-sponsored enterprises (GSE) payment deferral program were announced on March 29, allowing delinquent borrowers to defer up to six months of missed payments. Payment deferral permits borrowers to defer missed payments to the earlier of 1) loan maturity or 2) refinancing while maintaining the same monthly payment.

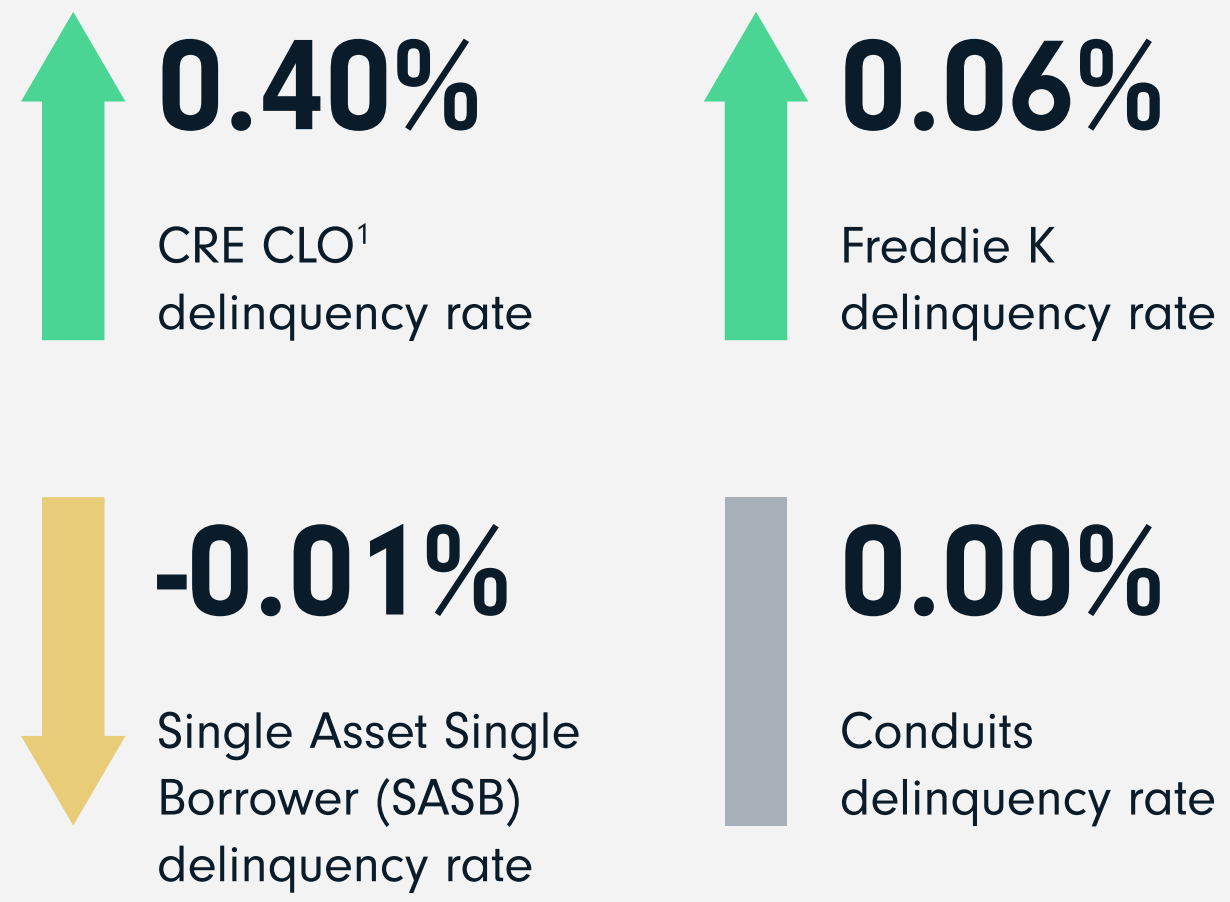


The FDIC has hired advisors to sell its portfolio of agency RMBS acquired through the rescue of Signature Bank and Silicon Valley Bank. An orderly and long-term disposal plan with regular, smaller bid lists instead of single bulk transaction would achieve better execution and be less disruptive to the markets.

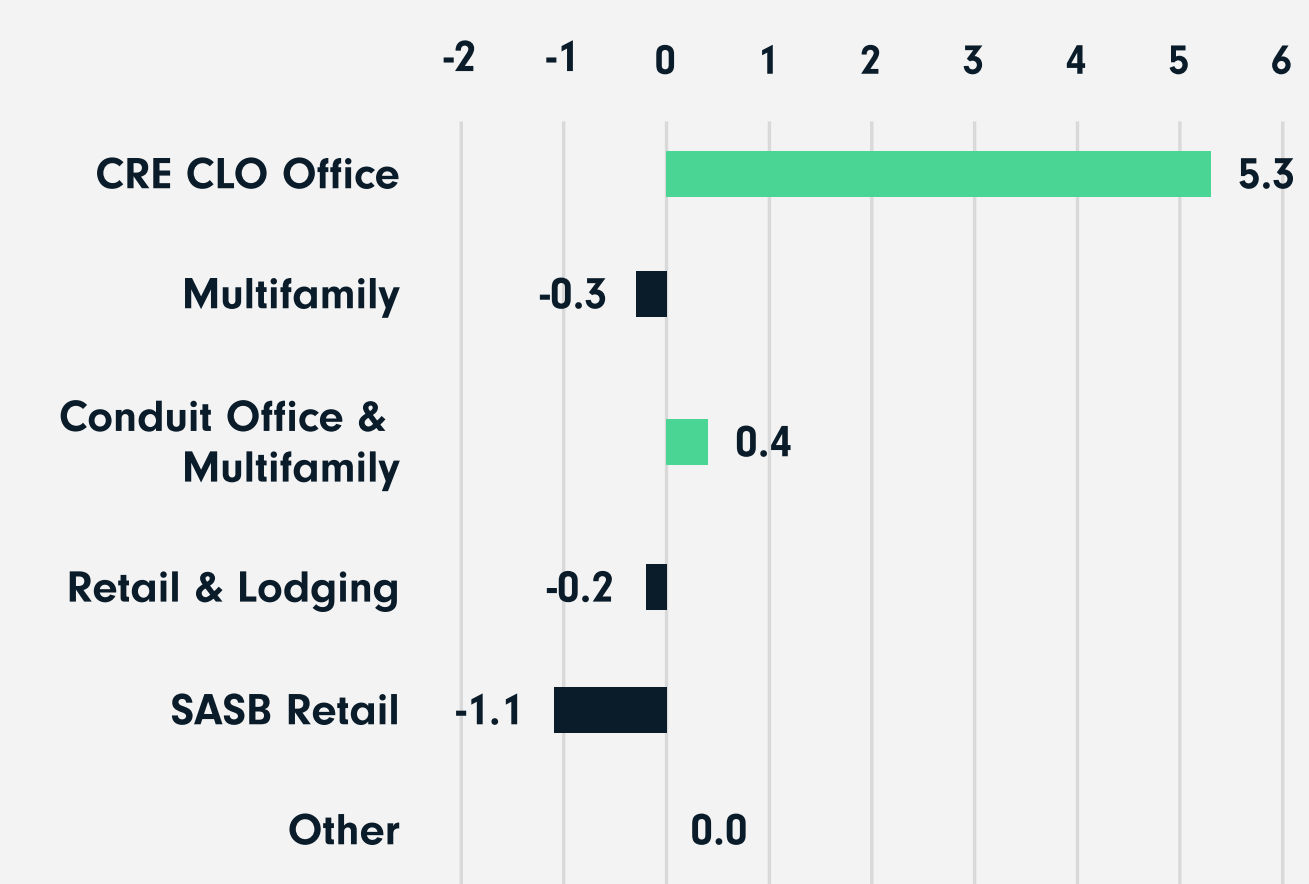
Similarities to the Fed's portfolio should provide a roadmap if the Fed ever decides to begin actively reducing the MBS allocation of the System Open Market Account (SOMA) holdings.

Commercial Mortgage-Backed Securities (CMBS)

Delinquency rates in March were a mixed bag in the CMBS space.

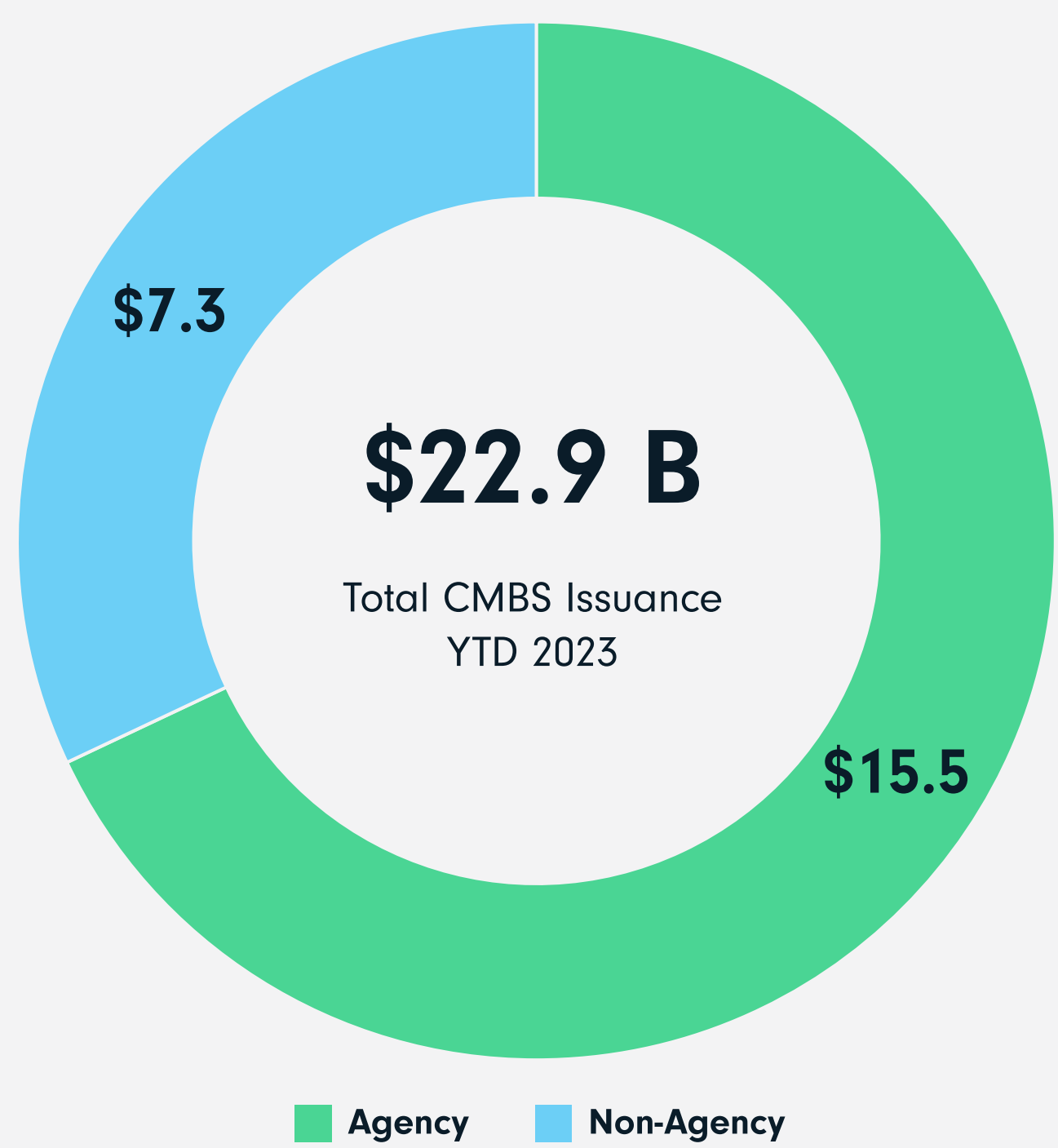


Delinquency Rates by Property Type Month-over-Month Change (%)

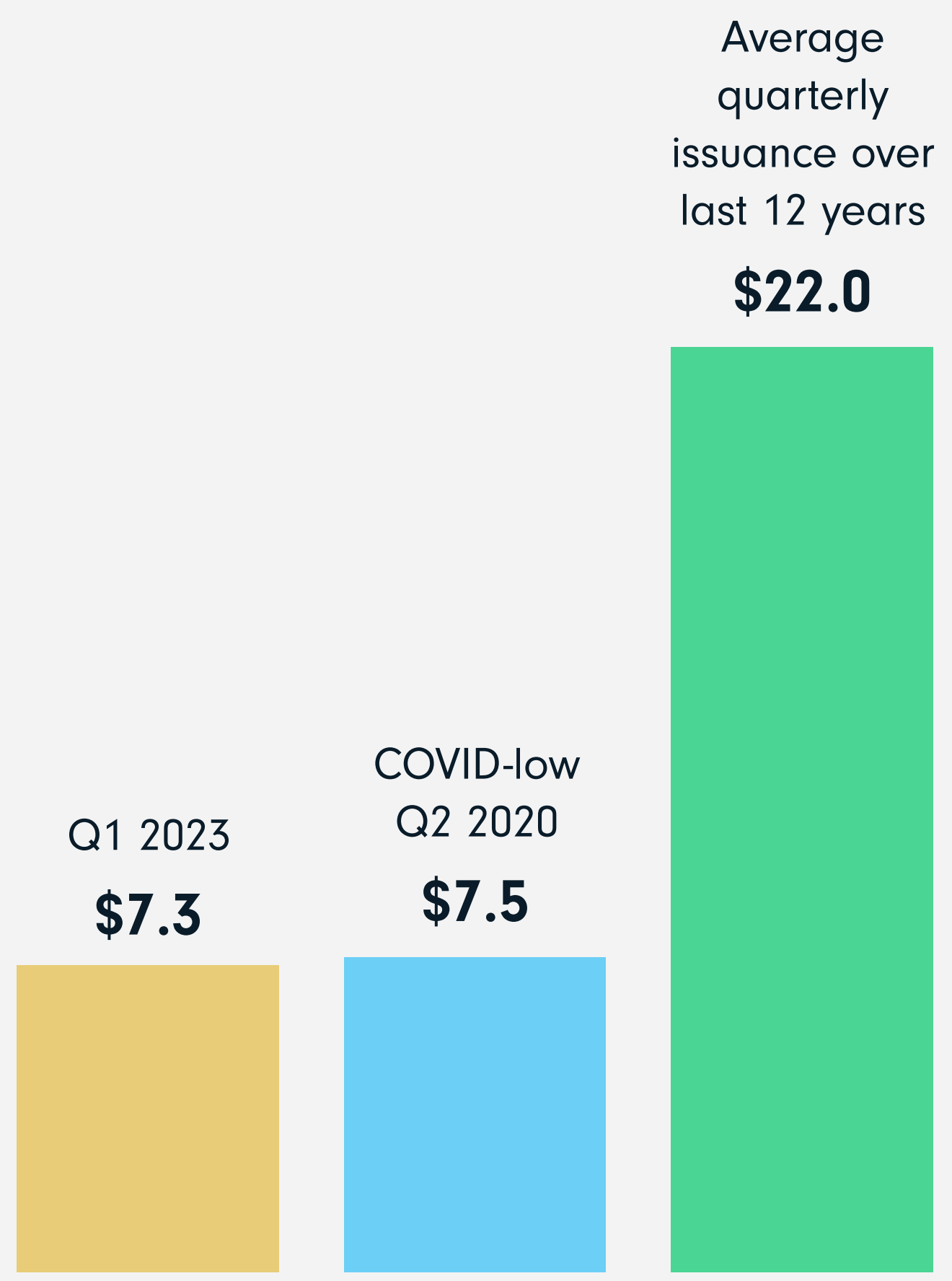


Issuance

CMBS issuance has been historically slow in 2023, reflecting the headline risks and concerns. Total issuance through month-end March is down roughly 73% compared to the same time period last year. Q1 non-agency CMBS issuance was the lowest in a decade.



Non-Agency CMBS Issuance



Sources: Barclays, JPMorgan, Deutsche Bank.

¹Commercial Real Estate Collateralized Loan Obligations (CRE CLO).

The views expressed are those of Diamond Hill as of April 2023 and are subject to change without notice. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal. Past performance is not a guarantee of future results.