Global Jet Leads Way on Private Deals

Look for more aircraft lessors to follow **Global Jet Capital's** example by issuing asset-backed securities via private placements.

A $521.8 million transaction the corporate-jet lessor priced on Oct. 21 under **SEC** Rule 144A was preceded by a $77 million deal it privately placed with an unidentified investor earlier in the month. **EA Markets** served as the exclusive financial advisor and placement agent for the deal, which consisted of a single tranche of investment-grade notes.

Fouad Onbargi, a managing director at New York-based EA Markets, said by working with a single investor, Global Jet was able to make the case more easily that the business jets it leases were not impacted by the drop in air travel to the same degree as commercial jets — and to some extent have benefited from the coronavirus crisis. And by tailoring the deal to suit the investor, Global Jet was able to borrow more heavily against the collateral.

Unlike the Rule 144A deal, which was backed by leases to 50 corporations in 30 industries and included 30 models of aircraft, the private deal was backed by a single type of aircraft on lease to one company with a solid credit rating. Moreover, all of the aircraft backing the deal are new.

In addition to securitizing 100% of the cashflow from the leases, Global Jet used a higher percentage of the residual value of the aircraft in the private deal as collateral, compared with the Rule 144A offering.

Onbargi said Global Jet's approach, by demonstrating other "pockets of liquidity" available to aircraft lessors, could attract the attention of companies that securitize leases of commercial and freight jets as well.

Including the private placement, Global Jet has issued over $2.3 billion of asset-backed bonds since entering the market in 2018. ❖

Personal Loans Show Weakness

Following two months of improvement, performance indicators for securitized personal loans deteriorated in September.

According to an index maintained by **Kroll,** losses among Tier 1 accounts — to the most creditworthy borrowers — jumped 46 bp for the month to an annualized 3.71%. Delinquencies also ticked up 4 bp to 1.8%. Tier 1 accounts are originated by **Lending Club, Marlette** and **Social Finance** to borrowers with credit scores of 710 to 740.

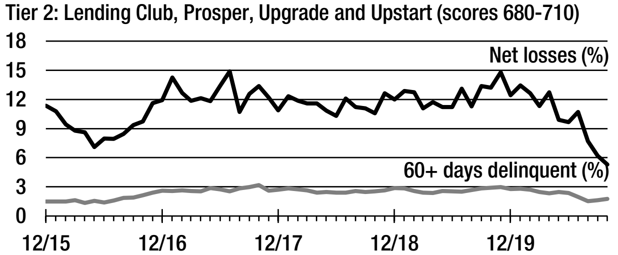
The delinquency rate among Tier 2 accounts rose 12 bp to 2.72%, though losses fell 90 bp to an annualized 5.3%. Tier 2 accounts are originated by Lending Club, **Prosper Marketplace, Upgrade** and **Upstart** to borrowers with credit scores of 680 to 710.

Tier 3 accounts — held by the least-creditworthy borrowers — experienced an increase in the delinquency rate of 15 bp to 4.22%. Losses also increased, by 53 bp to an annualized 7.9%. Tier 3 loans are originated by **Avant** and Lending Club to borrowers with credit scores of 630 to 660.

Although government-stimulus programs helped support loan performance earlier on in the coronavirus crisis, Kroll warns that delinquencies and losses could continue to rise until Congress approves additional relief measures. The rating agency doesn't see that happening until early next year.

Marketplace Loan Performance

Tier 2: Lending Club, Prosper, Upgrade and Upstart (scores 680-710)



Source: Kroll

Pagaya ... From Page 1

the books on the $423.9 deal, with the top class carrying a single-A-minus grade from **Kroll.** Pagaya previously completed eight unrated securitizations backed by prime-quality loans from a group of originators including **LendingClub, Prosper Marketplace** and **Upgrade.** Those deals totaled $1.3 billion.

With its wider focus, Pagaya is positioning itself to attract institutional investors, including pensions, endowments and insurance companies. To that end, the company recently brought on industry veteran **Rob Brady** as head of institutional sales. Brady most recently held the same position at structured-product investor **Brigade Capital,** where he started in 2009. He's also had stops at firms including **Schroders, Optima** and **Deutsche Bank.**

McDonald was a vice president at Goldman, where he worked from 2002 to 2018. While he has experience across asset classes, he had primary oversight of deals backed by auto loans and leases and by equipment loans and leases. During his tenure there, McDonald oversaw more than $50 billion of securitizations for clients including **Ford, GM Financial** and **Hertz** and more than $8 billion of whole-loan sales. Following his departure from Goldman, he joined investment shop **Stabilis Capital,** which originates and buys commercial loans.

Pagaya, founded in 2016, is led by chief executive **Gal Krubiner,** a former **UBS** executive. The company began buying personal loans from online lenders in 2018, touting its ability to use big-data and machine-learning technology to select collateral loans. It received early backing from venture capital firms **Oak HC/FT** and **Viola Ventures.** Pagaya managed $1.2 billion at yearend 2019. ❖