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Hunton & Williams LLP Achieves TALF First

Hunton & Williams LLP represented American Home Mortgage Servicing, Inc. (“AHMSI”) and an affiliated issuer, AH Mortgage Advance Trust 2009-ADV1, in a \$550 million sale of term notes (the “Notes”), in the first issuance of TALF-eligible notes secured by a revolving pool of servicer advance receivables. These Notes are term (*i.e.*, non-revolving) asset-backed notes and are eligible collateral for loans to investors under the Term Asset-Backed Securities Loan Facility (“TALF”) program administered by the Federal Reserve Bank of New York (“FRBNY”). The servicer advance receivables consist of AHMSI’s contractual rights to reimbursement for advances AHMSI makes in its capacity as servicer under servicing agreements for securitized residential mortgage loans.

The TALF program was developed to encourage the expansion of credit to consumers and small businesses and to provide servicers alternative sources of funding for advancing obligations in residential securitizations by facilitating the issuance and marketing of asset-backed securities (“ABS”). A funding under the TALF program is structured as a loan from the FRBNY to an eligible borrower, which includes any U.S. company that owns eligible collateral and maintains an account relationship with a primary dealer. Until now, the TALF issuances consisted mainly of ABS related to auto loans, student

loans, small business loans or credit cards. On March 19, 2009, the FRBNY expanded the list of ABS collateral eligible for pledge under its TALF program to include, among other things, ABS related to servicing advance receivables. The AHMSI transaction marks the first TALF issuance involving the pledge of ABS backed by servicer advance receivables collateral. Hunton & Williams worked with the FRBNY, the note placement agents and their respective counsel to structure the Notes so that they would be eligible collateral for TALF loans. The Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 (the “Securities Act”).

[Tom Hiner](#), lead partner in charge of the representation, said, “The TALF issuance was a win for investors and the company. In this issuance the ‘bid and ask’ spread between borrower and lender improved significantly over the spread that had been prevalent in the term ABS market.”

The structuring of advance financing facilities raises complicated issues regarding UCC, tax, bankruptcy and securities laws. The representation involved a multidiscipline, multiple office transaction team consisting of [Rudene Bascomb](#), [Andrew Blanchard](#) and [Janet McCrae](#) for corporate finance; [Cary Tolley](#), [Leslie Okinaka](#), [Cecelia Horner](#) and [Kendal Sibley](#) for tax and ERISA; and

[Jack Molenkamp](#) for true sale-bankruptcy and nonconsolidation matters.

Hunton & Williams LLP has handled approximately 40 servicer advance financing facilities since 2001, representing servicers, lenders, investors and placement agents, and recently we have closed a number of servicer advance financing facilities, using a variety of legal structures. Hunton & Williams LLP is regularly listed among the nation's leading securitization law firms, including Thomson Reuters's 2009 first quarter capital markets rankings. The firm was ranked as a leader in 26

categories, including seven number one rankings and 13 top five rankings.

If you are interested in learning more about advance financing facilities, please contact one of the attorneys listed on this alert. For more information, please visit the Financial Industry Recovery Center at www.huntonfinancialindustryrecovery.com or our asset securitization practice area description at www.hunton.com.

This Client Alert does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes referred to herein in any state

in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. The Notes were not registered under the Securities Act or applicable state securities laws, and were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Unless registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.



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