

# Client Alert: Are CLOs the Next RMBS?

## Publications

April 3, 2020

For the past several years, market observers have warned of risks associated with collateralized loan obligations or CLOs.

By way of example, in October 2018, referring to CLOs, *The New York Times* published an article titled “Wall Street Loves These Risky Loans. The Rest of Us Should Be Wary.” The article compared CLOs to residential mortgage-backed securities, stating that, as happened with RMBS, the leveraged loans pooled in CLOs were “being made to risky borrowers, lending standards [we]re dropping fast, and regulators [we]re easing the rules.”

More recently, on March 19, 2020, *The Wall Street Journal* published an article about leveraged loans and CLOs titled “The Next Coronavirus Financial Crisis: Record Piles of Risky Corporate Debt.” The authors noted that CLOs are “susceptible to violent price swings and have been one of the worst-performing debt investments” for the month of March 2020. The authors quoted one industry participant as saying that “[i]t does feel like the market accelerated into a panic over the course of the week.”

In this article, we will: (i) provide a short introduction to CLOs; (ii) compare RMBS in the lead up to the Great Recession to CLOs today; and (iii) compare the types of claims related to RMBS that were litigated after the Great Recession to potential claims relating to CLOs.

To read the full article, please [click here](#).

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