

## Chris Gavin Discusses Regulatory Framework for Residential Transition Loan Securitizations with *Private Debt Investor*

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Winston & Strawn partner Chris Gavin spoke with *Private Debt Investor* to provide his insights into the evolving regulatory landscape surrounding residential transition loans (RTLs). With the ongoing challenges of building enough homes to keep pace with the demand in the U.S. housing market, private lenders are turning to residential transition loans, short-term bridge, construction, or renovation financing for real estate investors, to find new opportunities in the complex housing market.

RTLs do not fit under the regulatory umbrella for traditional mortgage regulations like the ‘ability-to-repay’ or ‘qualified’ rules, nor can they be governed by the more complicated TRID rules. RTL securitizations are sold privately pursuant to Rule 144A but, if the related transaction is rated, remain obligated to file certain due diligence information with SEC.

“The market for RTL securitizations is within the safe harbor created by Rule 144 under the Securities Act of 1933. And since it is a rated ABS transaction, due diligence reports on the collateral have to be filed,” Chris said.

Rule 144 allows holders of securities to resell their shares without registering them with the SEC, provided that the related securities are sold exclusively to investors meeting the requirements to be qualified institutional buyers. Under this rule, some SEC requirements still apply, including rule 15Fa-2 which requires the issuers and underwriters of rated ABS translations to disclose the findings and conclusions of any third-party due diligence report at least five days prior to the first sale.

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