

Structured Finance Newsletter

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SHIFTING ABS ISSUANCE

Public ABS issuance in the first quarter of 2010 demonstrated a significant shift away from credit cards and into auto-related products. ABS issuance for the first-quarter of 2010 versus full-year 2009 showed that auto-related issuance rose to 67% from 44% while and credit card issuance fell to 6% from 32%.

Asset Class	FY09		1Q10	
	\$ Issuance (in millions)	%	\$ Issuance (in millions)	%
Auto (All)	66,500.32	44%	18,837.59	67%
Credit Card (All)	47,553.80	32%	1,755.00	6%
Student Loan (All)	21,815.35	14%	3,797.07	14%
Equipment (All)	7,198.55	5%	1,804.15	6%
Other	7,636.07	5%	1,717.00	6%
Total	150,704.09		27,910.81	

Asset Class	1Q09		1Q10	
	\$ Issuance (in millions)	%	\$ Issuance (in millions)	%
Auto (All)	7,487.60	57%	18,837.59	67%
Credit Card (All)	3,000.00	23%	1,755.00	6%
Student Loan (All)	2,044.82	16%	3,797.07	14%
Equipment (All)	525.74	4%	1,804.15	6%
Other	0.00	0%	1,717.00	6%
Total	13,058.16		27,910.81	

The primary drivers of this shift are 1) an increase in auto sales and stabilization of the corporate condition of the domestic auto manufacturers, 2) the reduced volume of credit card receivables that has resulted from the tightening of credit by bank credit card lenders, 3) the implementation of new accounting rules that have made securitization of credit card ABS less attractive to banks, and 4) investors' strong appetite for well-performing consumer ABS products, which auto-related ABS has proven to be.

Domestic auto companies have seemed to achieve the goal of right-sizing their businesses and have committed themselves to being more sensitive to consumer sentiment while improving the quality of the vehicles they manufacture. These factors combined with the economy appearing to be in a state of a slow yet steady recovery, should help to drive auto sales to higher and to more stable levels. Credit card banks have become increasingly subject to new consumer and accounting regulations that challenge their ability to grow or even maintain credit card portfolios and have forced them to more carefully consider the economics of securitization. Additionally, FDIC rulings regarding the "safe harbor" for securitized credit card portfolios have made investors skittish about buying credit card ABS due to the potential for ratings volatility.

DBRS believes that the above factors may likely create a long-term regulatory and economic environment in which public ABS issuance will be characterized by more auto-related products and less credit card products and in which more off-the-run assets types may be pushed into the private ABS space. Another factor that will impact the diversity of ABS issuance is the elimination of the Family Federal Education Loan Program and very slow growth, if any, in the private student loan sector. These are two asset classes that, prior to the market crisis, provided a significant volume of ABS issuance, evidenced by their combined share of roughly 23% of public issuance as recently as in 2008.

For questions or comments, please contact Chris O'Connell at coconnell@dbrs.com.