

# U.S. Structured Finance Newsletter

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## AUTO FINANCE COMPANIES GROW AUTO LOAN ABS MARKET SHARE IN EARLY 2007

Although the first half of 2007 is not yet complete, there are notable changes in the auto loan ABS issuance market relative to last year's same period. The most significant difference is that total auto loan ABS issuance was down 45%, as of May 24, 2007,\* primarily due to a marked drop in prime auto loan ABS issuance, which was down 46% year over year. The decline is a result of smaller issuance volume from many of the captives. The most dramatic issuance void is left by both Chrysler and Ford, who have not been in the public ABS market since late last year.<sup>1</sup>

In addition to the drop-off in captive issuance, other trends are beginning to emerge. Non-prime auto loan ABS issuance edged up year over year, and finance companies (in contrast to the captive and bank issuers) have grown market share in both the prime and non-prime ABS markets. Although prime auto loan ABS issuance has plummeted to nearly half of what it was in 2006, non-prime issuance has grown modestly by 2% year over year.\* Non-prime auto loan ABS issuance has grown even as sub-prime RMBS issuance has dramatically dropped in 2007. As noted in a previous newsletter (see DBRS newsletter *So Far So Good?* dated April 2, 2007), a contagion effect has not yet surfaced in sub-prime auto.

Another interesting change in issuance year to date in 2007 is the increase in finance company market share in both the prime and non-prime auto loan ABS markets. In the non-prime auto loan ABS issuance market, finance company market share has grown from 65% to 70%.\* This is mainly due to lighter volume from Capital One Auto Finance Trust (\$1.5 billion versus \$2.75 billion in 2006\*). More dramatically, in the prime auto loan ABS sector, finance companies have increased their share to 38% (\$3.45 billion) of new issuance,<sup>2</sup> compared with only 9% (or \$1.5 billion) in 2006.\*

The most significant growth of finance companies in the prime auto loan ABS market has been driven by CarMax and AmeriCredit. On May 18, CarMax announced its second auto loan issuance for 2007, bringing total year-to-date issuance up to \$1.34 billion. CarMax will have issued more auto ABS in the first half of this year than it did for the entire year in 2006 (\$1.2 billion\*). On May 23, AmeriCredit announced the pricing of a \$1 billion securitization, which represented the first issuance from its prime/near-prime auto loan platform.

Going forward, DBRS expects finance companies to continue to grow their prime portfolios and continue to access the ABS market for funding. Given the more efficient funding option that the ABS market can provide for the captives, it is likely that their activity will increase in the latter half of the year.

For questions or comments, contact Cherry Allen at [callen@dbrs.com](mailto:callen@dbrs.com).

\*Source: Bloomberg, Intex and DBRS.

<sup>1</sup> In 2006, Chrysler and Ford represented approximately 10.4% and 9.7%, respectively, of total auto loan new issuance volume.

<sup>2</sup> As of May 23, 2007.