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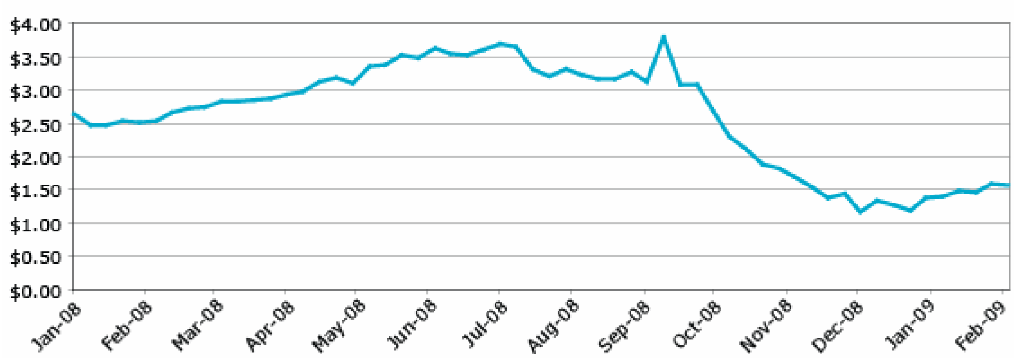
THE DEATH OF THE GAS GUZZLERS? NOT SO FAST

In 2008, the performance of auto loan and lease ABS came under close scrutiny because of a concern with vehicle residual values, which are a critical component of auto ABS rating criteria. One of the significant concerns for investors and rating agencies was the ability of vehicles' expected residual values to hold up over the duration of the transactions. The focus was mainly on the portions of collateral pools consisting of trucks and SUVs. The primary cause for concern was that rising gasoline prices made these vehicles less desirable, thus driving down their residual value at auction, be it following repossession or lease turn-in. As the charts below illustrate, this premise was true throughout most of the spring and summer of 2008 as gas prices rose to record levels and consumers shunned low gas mileage trucks and SUVs.

However, in September and October 2008, gas prices fell precipitously, and simultaneously, production cuts of trucks and SUVs began to have their effect on dealer inventories. These factors, combined with the weak U.S. economy driving many consumers to the used vehicle market in lieu of purchasing new vehicles, resulted in used auction prices for trucks and SUVs rebounding beginning in November 2008. Since mid-November gas prices have stabilized at relatively low levels, production levels have stayed low and the economy has continued to struggle – leading to an increase in used auction prices approaching a level reflective of the pre-summer run up in gas prices.

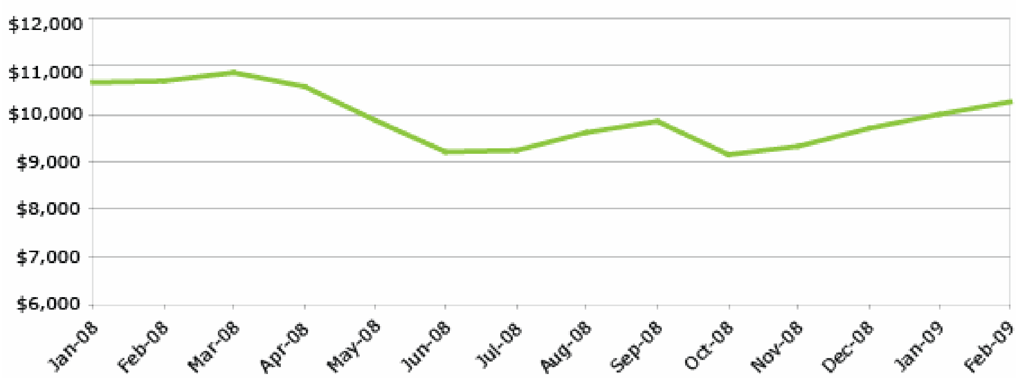
The recovery of used auction prices across several vehicle segments, especially trucks and SUVs, is a positive development for auto ABS. DBRS believes that although the recovery of this market may not yet signal a long-term trend, the recovery supports the idea that because of the cyclical nature of the auto market, the ratings approach to auto ABS must look "through the cycle" and not be over-reactive to short-term market fluctuations.

Weekly Price of Premium Unleaded Gasoline - U.S. Average



Source: Bloomberg

Used Vehicle Auction Prices - Trucks only (includes Trucks, SUVs and Vans)



Source: ADESA

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