

MONTHLY COMMENTARY

Consumer ABS Market Update

DAVID DOAN | APRIL 6, 2016

Primary

- Primary issuance slowed to \$11B in March with 65% of the issuance related to autos
- A few highlights include:
 - Element Rail priced a \$422mm transaction with the 3.6yr A rated senior bond pricing at 275/n and the 7.0yr at 350/n, yielding 4% and 5%, respectively. The deal is backed by leases on railcars
 - OneMain, an originator of unsecured consumer loans to mostly subprime borrowers, issued an \$890mm transaction. The 2.6yr senior bond priced at 300/n, yielding 4.1%
 - CHAI issued a \$278mm deal consisting of marketplace lending loans originated by Prosper. The 1yr priced at 400/e

Secondary

- Total volume of 4.4B traded in the secondary according to JPM. Prime auto and cards traded well during the month with spreads remaining firm to a few bps tighter. Spreads in FFELP generally remain sideways as the market continues to wait for clarity around rating agencies action

Market / Consumer News

- Navient amended the legal final maturity on a FFELP securitization totaling \$150mm
- The CFPB announced that it was now accepting complaints from consumers experiencing problems with loans from marketplace lenders
- Outstanding consumer credit rose to 3.54T, an increase of 3.6% on an annualized basis according to the Federal Reserve
- Fitch reported subprime auto delinquencies of 60 days or more reached 5.2% and annualized net losses reached 9.7%. The peak level of annualized net losses reached 13.1% during the financial crisis



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Mr. Doan joined TCW in 2010 and is currently an Analyst specializing in asset-backed securities. Prior to attending business school, he was a CDO Analyst at Metropolitan West Asset Management where he was responsible for modeling and analyzing CDO transactions. Mr. Doan holds a BA in Business Administration from California State University, Fullerton, and an MBA in Finance and Economics from Columbia Business School.

Spreads

FIXED

	Benchmark	Credit Cards	Auto – Prime	Auto – Subprime
1-yr AAA	EDSF		33	70
2-yr AAA	Swaps	37	43	80
3-yr AAA	Swaps	47	48	
5-yr AAA	Swaps	67		
10-yr AAA	Swaps	87		
b-piece (5-yr)	Swaps	88		
c-piece (5-yr)	Swaps	108		

Source: JPMorgan Research

FLOATING

	Benchmark	Credit Cards	FFELP Student Loans	Private Student Loans
2-yr AAA	Libor	32		
3-yr AAA	Libor	40	105	130
5-yr AAA	Libor	52	125	
7-yr AAA	Libor	75	140	235
10-yr AAA	Libor	85	150	
b-piece (5-yr)	Libor	88		
c-piece (5-yr)	Libor	108		

Source: JPMorgan Research

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