

MONTHLY COMMENTARY

Consumer ABS Market Update

DAVID DOAN | JULY 7, 2016

Primary

- Primary issuance slowed down to \$14.1B in June after a previous issuance of \$22.8B in May. Auto and card issuance accounted for 71% of the month's total
- A few highlights:
 - OneMain issued a \$350mm transaction with the senior 5.5yr bond pricing at 260/n. The deal is backed by unsecured consumer loans mostly to subprime borrowers and contains a 5yr revolving period
 - Navient, an issuer of student loans, priced a \$761mm deal with the 1yr, 4yr, 8yr senior bonds pricing at 60dm, 85dm, 138dm respectively. This was their 3rd FFELP transaction of the year
 - SoFi launched its first unsecured consumer loan deal. The \$380mm transaction priced the 2.3yr bond at 238/n. The collateral consists of loans to primarily prime borrowers

Secondary

- Secondary trading in consumer ABS was relatively stable during the month with muted reaction to Brexit. FFELP student loans remain range bound as market participants digest the new Moody's assumptions used for ratings. According to JPM, total volume was \$2.7B which was the lowest monthly total for 2016

Market / Consumer News

- Navient amended the maturities on \$1.9B of bonds
- On June 9, Fitch announced that their new criteria for rating FFELP ABS would be released within 60 days
- Moody's released their methodology for rating FFELP ABS. The rating agency also placed an additional \$45B on downgrade watch, bringing the total on downgrade watch to \$76B, just under 50% of the FFELP market. According to Moody's, ratings action will be concluded within 6 months
- Lending Club announced that it would increase the interest rate on loans it originates by 55 basis points on average and tighten the underwriting by reducing the debt-to-income ratio to 35% from 40%



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Spreads

FIXED

	Benchmark	Credit Cards	Auto – Prime	Auto – Subprime
1-yr AAA	EDSF		23	62
2-yr AAA	Swaps	21	30	67
3-yr AAA	Swaps	32	35	
5-yr AAA	Swaps	55		
10-yr AAA	Swaps	75		
b-piece (5-yr)	Swaps	76		
c-piece (5-yr)	Swaps	96		

Source: JPMorgan Research

FLOATING

	Benchmark	Credit Cards	FFELP Student Loans	Private Student Loans
2-yr AAA	Libor	23		
3-yr AAA	Libor	35	92	117
5-yr AAA	Libor	48	107	
7-yr AAA	Libor	66	127	182
10-yr AAA	Libor	76	142	
b-piece (5-yr)	Libor	79		
c-piece (5-yr)	Libor	99		

Source: JPMorgan Research

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