

MONTHLY COMMENTARY

## December 2017 Consumer ABS Update

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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.

### Primary

- Close to \$9B in ABS priced in December, bringing total volume in 2017 to \$239B. Autos and credit cards led the way with \$111B and \$56B, respectively. Student loan issuance was third with \$16B. There was also notable issuance volume in unsecured consumer loans, \$13B, and whole business franchise, \$7B
- A few highlights include:
  - Avis, the car rental company, issued a \$500mm deal, pricing the 5yr AAA senior tranche at 78/n, yielding 3%. The 5yr BBB subordinate piece priced at 200/n, yielding 4.2%
  - SoFi priced a \$768mm private student loan deal. The 1yr AAA priced at 30/e to yield 2.2% and the 5yr AAA priced at 65/n to yield 2.9%
  - Lending Club launched a \$252mm deal with the 0.5yr A rated tranche pricing at 85/e and the 2yr BB subordinate pricing at 290/n
  - Wendy's, the hamburger restaurant chain, issued a \$1.075B deal. The 7yr priced at 135/n and the 10yr at 158/n, yielding 3.6% and 3.9%, respectively. The deal is backed by royalty income from the restaurants

### Secondary

- Volume in secondary trading slowed down, which is not atypical for this time of the year. A total of \$4.5B traded with spreads roughly flat to a touch weaker. Short cards and prime autos trade in the single digit spreads, while short FFELP trade between 15-25dm

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## Market News

- The Department of Education announced a policy reversal on how it will grant relief to student borrowers who were defrauded by Corinthian Colleges. Previously, the department provided 100% student debt relief, but now it will provide relief based on earnings. Borrowers who earn less than 50% of their peers in the same vocation will still receive 100% forgiveness. Those who earn more than 50% will receive between 10-50% forgiveness
- Lawmakers have proposed making changes in the Higher Education Act – the law that governs many education policies. A few of the proposed changes in the bill titled Promoting Real Opportunity, Success and Prosperity Through Education Reform (PROSPER), include reducing the number of repayment plans from eight to two, eliminating loan forgiveness from the income-based repayment and the public sector programs, putting limits on borrowing amounts for graduate students and parents of undergraduates

## Spreads

## FIXED

	Benchmark	Credit Cards	Prime Auto	Subprime Auto
1-yr AAA	EDSF	5	7	20
2-yr AAA	Swaps	9	10	25
3-yr AAA	Swaps	14	16	37

## FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Private Loans
1-yr AAA	Libor	9	15	
2-yr AAA	Libor	16	22	
3-yr AAA	Libor	23	28	50
5-yr AAA	Libor	40	42	65
7-yr AAA	Libor	50	69	95

Source: BofA Merrill Lynch Global Research

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