

MONTHLY COMMENTARY

November 2017

Consumer ABS Update

PALAK S. PATHAK | NOVEMBER 30, 2017

New Issue

- \$19bn Consumer ABS priced in November, bringing YTD issuance to \$215bn, the highest level of issuance since 2007.
- The majority of new issues were oversubscribed and priced inside guidance as many issuers were able to execute at post Global Financial Crisis tights.
 - Six consumer loan deals priced over the month totaling \$1.8bn:
 - SOFI priced a \$725mm deal, its sixth consumer loan securitization this year, with the 3yr A2 class pricing at 90/n and the 5yr C class at 200/n.
 - Lending Club priced its third securitization with the 1yr A note pricing at 85/e.
 - Two aircraft deals priced totaling over \$1bn:
 - Wings Capital Partners priced a \$480mm deal backed by 19 aircraft with a weighted average age of seven years. The 4.7yr single A rated note priced at ~182/n.
 - Sprite priced a \$585mm deal backed by 21 airplanes with a weighted average age of nine years. The 5yr A note priced at ~225/n.
 - In the auto sector 12 deals priced (one floorplan, two auto lease, four prime loan and five subprime loan) totaling \$11bn.
 - Ygrene issued a \$280mm deal backed by PACE assessments. The 6.64yr AA/AAA rated noted priced at 110/n.
 - Napier Park brought a \$350mm railcar lease securitization with the 10yr A2 tranche pricing at 190/n.
 - Tesla priced a \$340mm solar ABS deal backed by solar leases and solar power purchase agreements. The 9.8yr A- rated note priced at 200/n.
 - Two student loan deals were issued:
 - DRB brought a \$300mm deal backed by private refinanced loans. The 5.25yr AAA priced at 75/n.
 - Navient priced a \$750mm single tranche FFELP deal with the 6.5yr Aaa/AA+ rated notes pricing at 77dm.



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Ms. Pathak is an Analyst in the Fixed Income group, specializing in asset-backed securities. Prior to joining TCW in 2007, Ms. Pathak was an Investment Specialist at Merrill Lynch in their Private Banking and Investments group where she helped manage \$4 billion in High Net Worth assets and Co-Managed a proprietary equity derivatives portfolio. Ms. Pathak was previously an Assistant Vice President at the Bank of New York in their Strategic Consulting group. Ms. Pathak graduated cum laude from Barnard College/Columbia University with a BA in Economics and she also holds an MBA in Finance from Columbia Business School. She is a CFA charterholder.

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Secondary

- The ABS market saw heavy secondary supply during the first half of the month, primarily in FFELP, Auto and Credit Card ABS.
- Spreads remained firm and tightened over the month as demand outpaced the increased supply. FFELP senior ABS spreads tightened 5-10bps and on-the-run prime ABS spreads remained flat to slightly tighter.

Consumer News

- Richard Cordray, the director of the Consumer Financial Protection Bureau (CFPB), stepped down on November 15 prior to the expiration of his term in July 2018. Cordray named his former chief of staff, Leandra English, as acting director. The White House followed by appointing Mick Mulvaney as acting director. A federal court ruled for Mulvaney as director; however, Ms. English is expected to appeal the decision.
- JG Wentworth announced a voluntary, pre-packaged restructuring agreement with its lenders to reduce its debt. The company's ABS securitizations are not part of the restructuring and thus should see no servicing impact from the filing. ■

Spreads**FIXED**

	Benchmark	Credit Cards	Auto – Prime	Subprime Auto
1yr	Swaps		5	18
2yr	Swaps	6	8	30
3yr	Swaps	10	17	45
5yr	Swaps	26		
10yr	Swaps	55		
b-piece	Swaps	50		
c-piece	Swaps	70		

FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Private Loans
2yr	Libor	8		
3yr	Libor	20	33	45
5yr	Libor	35	55	
7yr	Libor	57	70	75
10yr	Libor	67	85	
b-piece	Libor	64	125	130
c-piece	Libor	69	160	210

Source: BofA Merrill Lynch Global Research

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