

The Road Ahead For U.S. Auto ABS

Amy Martin, Sector Lead, Sr. Director – ABS, U.S. Structured Finance

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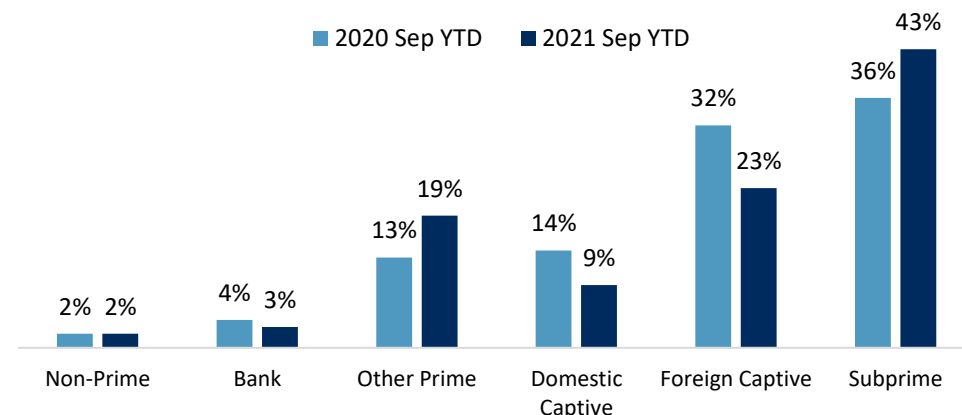
S&P Global
Ratings

Auto Loan ABS - Trends And Outlook

- Through September, auto loan issuance was \$73bn, up 22% year over year
- Expect volume of \$90 bn this year (20% increase)
- Credit enhancement levels have started to return to 2019's levels
- Losses and DQs are at near record low levels
- Performance should start to normalize later this year and next as government support fades
- Degree to which losses rise is dependent on used vehicle values and credit standards
- Economic conditions are supportive of strong used vehicle values
- Upgrades will continue to surpass downgrades
- Loan terms continue to lengthen

Source: S&P Global Ratings

Auto Loan ABS Issuance Composition



Top 5 Originators YTD 2021	Segment	Count	Amount (\$Bil.)	Percent of Total
Santander Consumer USA Inc.	Subprime/Nonprime	6	\$10.94	14.99%
GM Financial	Domestic Captive / Subprime	6	\$7.53	10.32%
Toyota Motor Credit Corp.	Foreign Captive	4	\$7.20	9.87%
CarMax Business Services LLC.	Prime	4	\$6.21	8.50%
American Honda Finance Corp.	Foreign Captive	3	\$4.74	6.49%

Top 5 Originators YTD 2020	Segment	Count	Amount (\$Bil.)	Percent of Total
Santander Consumer USA Inc.	Subprime/Nonprime	7	\$7.35	12.32%
Toyota Motor Credit Corp.	Foreign Captive	4	\$6.30	10.56%
GM Financial	Domestic Captive / Subprime	5	\$5.62	9.41%
American Honda Finance Corp.	Foreign Captive	3	\$5.00	8.38%
Ford Motor Credit Co. LLC	Domestic Captive	3	\$4.57	7.66%

Impact Of COVID-19 On Auto-Related ABS In 2020

Auto Loan ABS

- Record high level of extensions, two rounds of stimulus, and enhanced unemployment pay suppressed DQs and losses
- S&P Global Ratings increased its expected cumulative net loss (ECNL) assumptions
- Credit enhancement increased for new deals
- 33 Subprime Non-IG classes put on CW-Neg, 5 downgraded
- Issuance declined slightly, but market remained open and healthy unlike during the GFC

Auto Lease

- Residual values held up well as most deals reported residual gains
- S&P made no changes to its loss assumptions
- The downgrade of one auto maker's issuer credit rating (ICR) below IG led to one lease ABS downgrade
- Issuance declined 9.5% to \$19.18bn

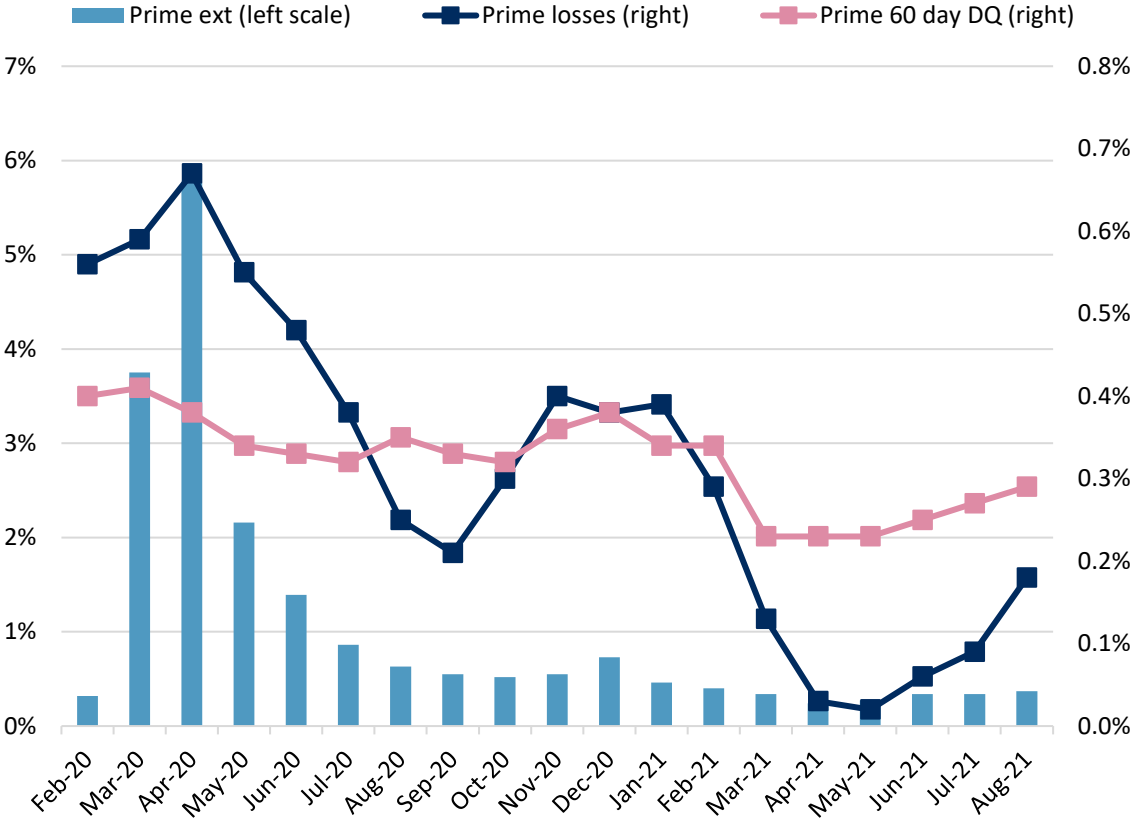
Dealer Floorplan (DFP)

- Initially payment rates plummeted, but by year-end they were at or above pre-pandemic levels
- Some issuers modified their payment rate triggers
- Since S&P's rating assumptions are tied to the mfrs' ICRs, the downgrade of one automaker led to six DFP downgrades
- With reduced auto sales, issuance declined 52.7% to \$4.07bn

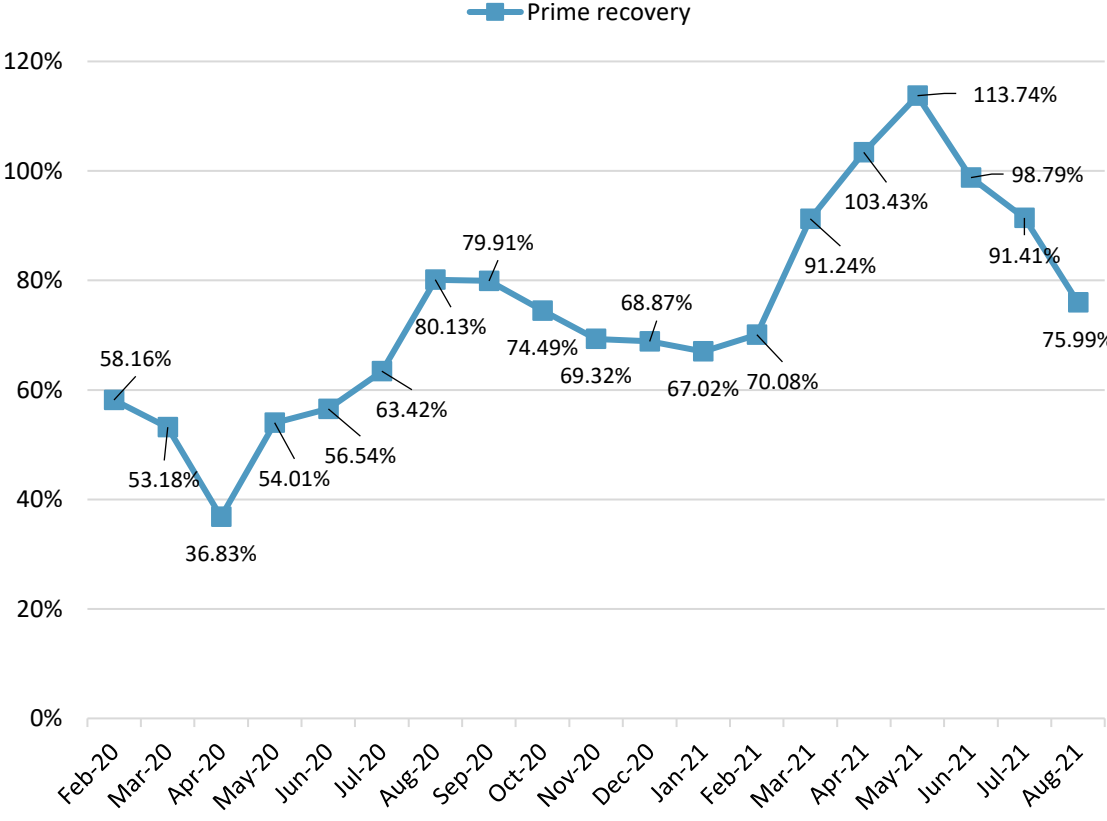
Source: S&P Global Ratings

Prime — Low Losses Due To High Recovery Rates

Prime Auto Loan Extensions, Losses, and DQs



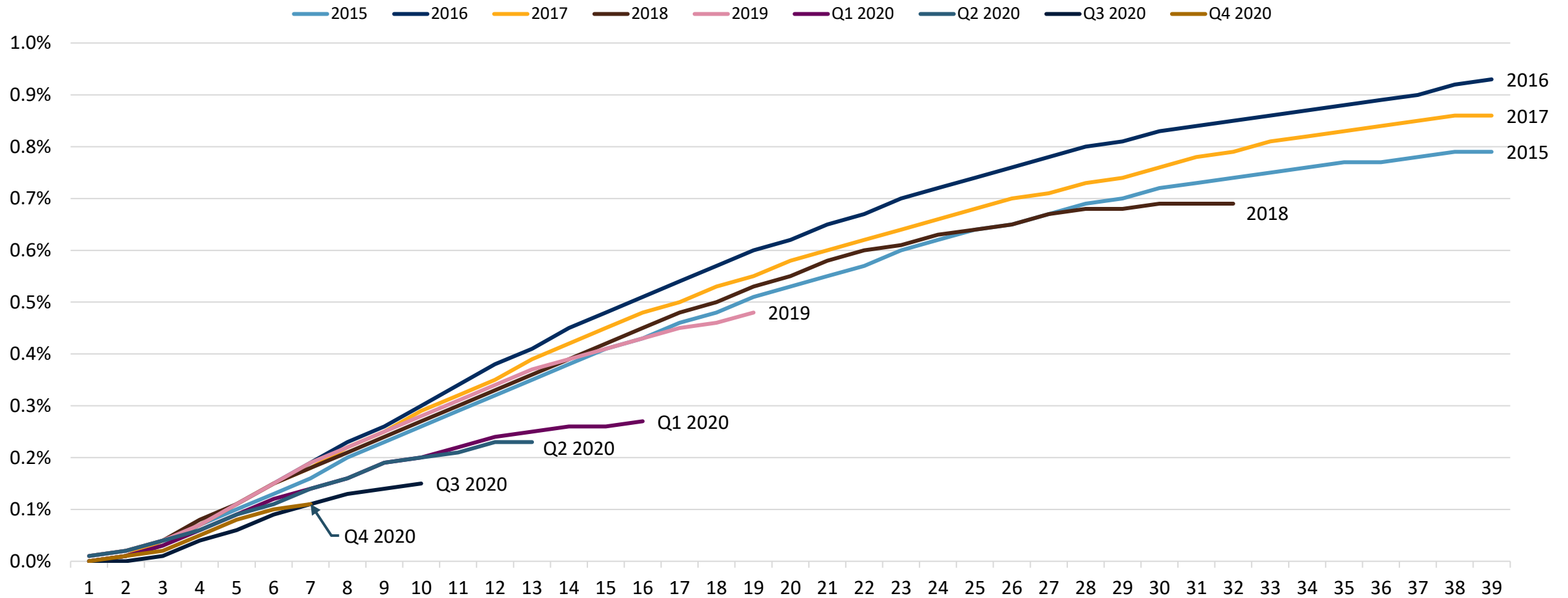
Prime Auto Loan Recovery Rates



Source: S&P Global Ratings

Prime ABS — Losses Are Flattening Out Earlier And Newer Pools Have Lower Losses

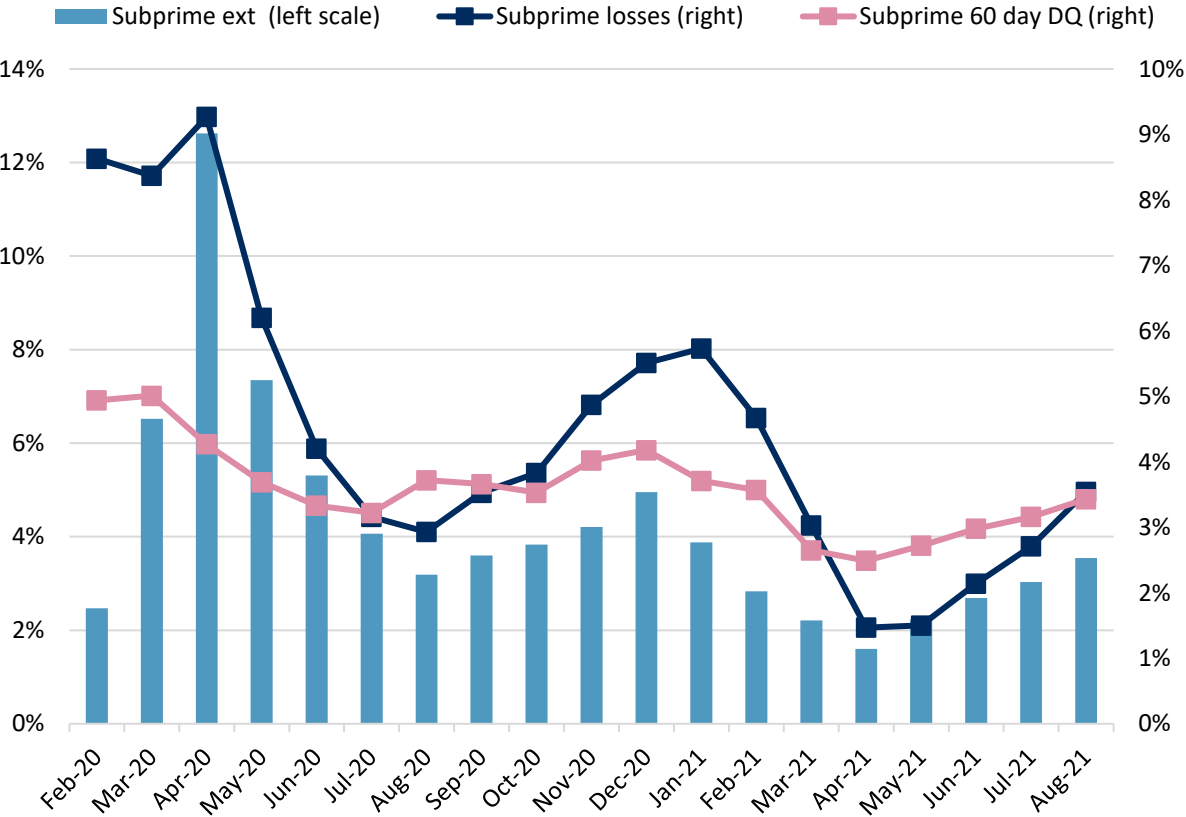
Prime Auto Loan Static Index (ALSI) - CNL (%) By Vintage



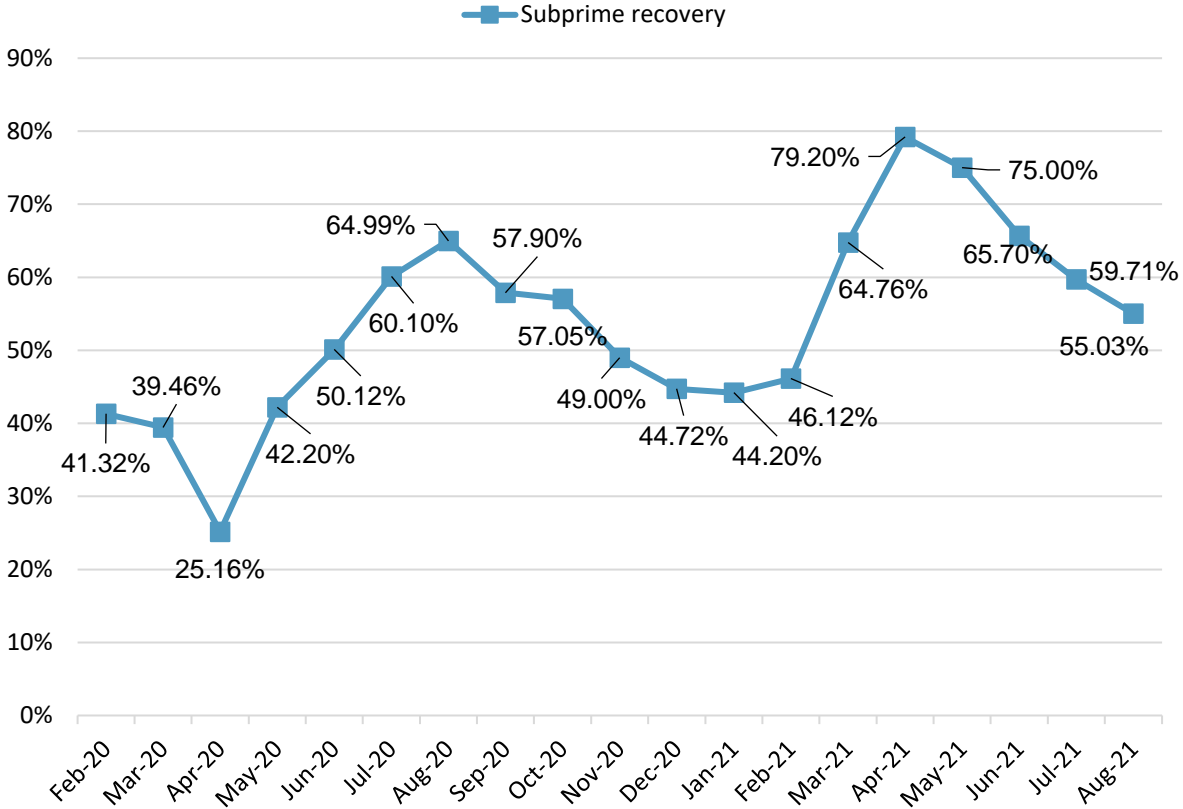
Source: S&P Global Ratings

Subprime — Record Low Losses Due To High Recovery Rates & Stimulus

Subprime Auto Loan Extensions, Losses, and DQs



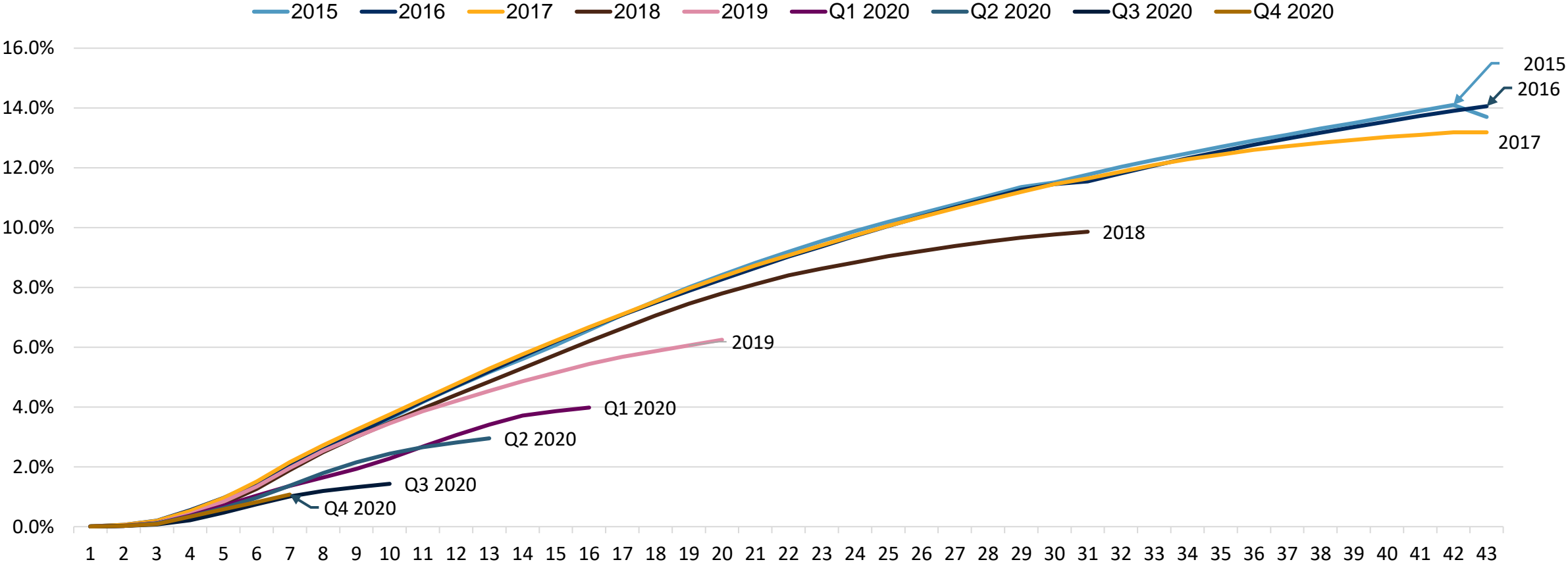
Subprime Auto Loan Recovery Rates



Source: S&P Global Ratings

Subprime ABS — Losses Are Flattening Out Earlier Due To Federal Stimulus, Newer Pools Performing Better

Subprime Auto Loan Static Index (ALSI) - CNL (%) By Vintage

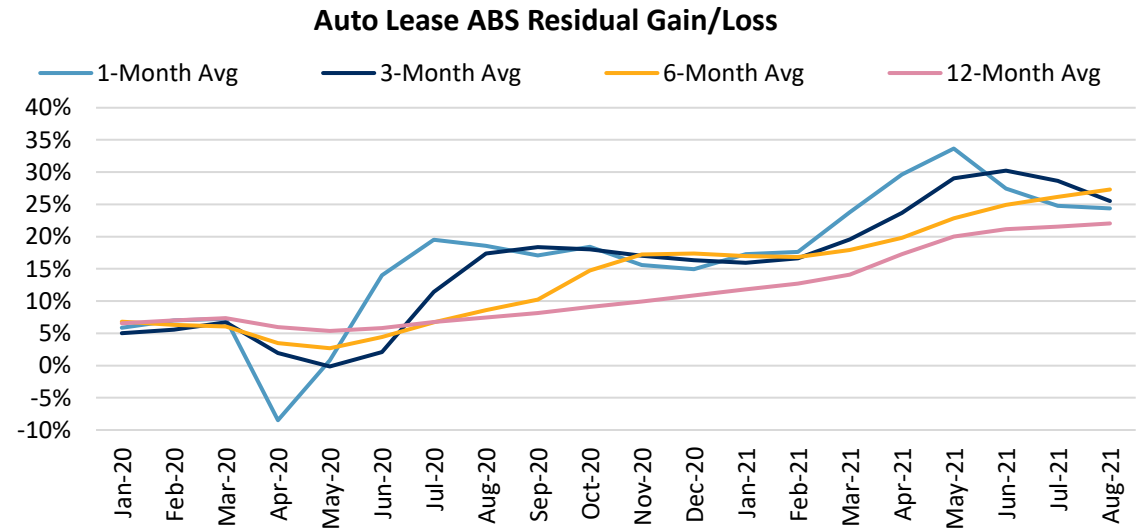


Source: S&P Global Ratings

Auto Lease ABS — Trends and Outlook

- September year-to-date volume at \$26.1 bn, up 61% year-over-year
- Expect volume of approx. \$28.0bn, up 45% from last year
- Very strong residual gains
- Lower return rates
- A downgrade of an automaker’s issuer credit (ICR) below IG could lead to a downgrade on its auto lease ABS of up to one category.

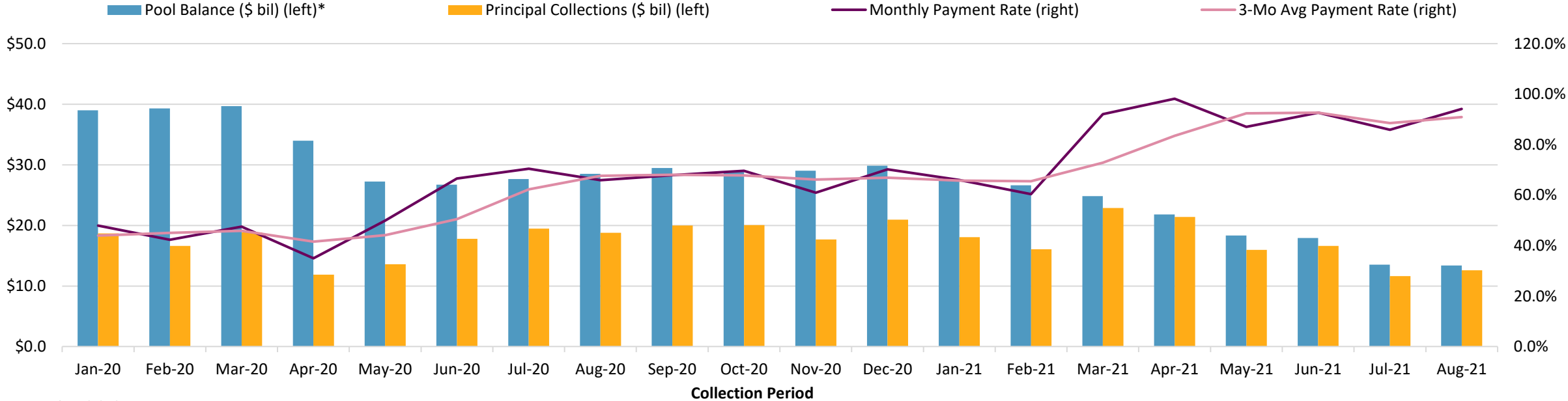
Top 5 Originators Sep YTD 2021	Count	Amount (\$Bil.)	Percent of Total
Santander Consumer USA Inc.	3	\$5.19	19.88%
GM Financial	3	\$4.05	15.50%
Hyundai Capital America Inc.	3	\$3.66	14.00%
Ford Motor Credit Company LLC	2	\$2.81	10.75%
Mercedes-Benz Financial Services USA LLC	2	\$2.56	9.82%



Source: S&P Global Ratings

Captive Dealer Floorplan Plan (DFP) — Trends and Outlook

- Payment rates are at record high levels due to dealers selling inventory faster than they can restock
- Collateral balances have been declining, causing issuers to trap excess cash in excess funding accounts (EFA) and in some cases amend their EFA triggers so the deals don't amortize
- A one category downgrade of an issuer's ICR could result in a 0-2 notch downgrade on its DFP ratings
- Issuance has been low and is expected to remain below historical levels due to high inventory turnover levels



Source: S&P Global Ratings

Related Research

- [U.S. Auto Loan ABS Tracker: August 2021 Performance](#), Oct. 20, 2021
- [Dwindling U.S. Government Stimulus Has Stopped The Downward Drift In Auto Loan ABS Extensions](#), Aug. 20, 2021
- [U.S. Auto Loan ABS Tracker: June 2021 Performance](#), Aug. 18, 2021
- [U.S. Real-Time Data: Consumers Are Wary Of A COVID Resurgence Amid A Recovering Labor Market](#), Aug. 13, 2021
- [Auto Loan ABS COVID-19 Loss Adjustment Reassessed After Better-Than-Expected Performance](#), July 8, 2021