The Market for Asset-Backed Securities

Prof. Ian Giddy
Stern School of Business
New York University

Asset Securitization

CHASE (SPONSOR)

CREDIT CARD RECEIVABLES

SALE OR ASSIGNMENT

CREDIT CARD RECEIVABLES

SPECIAL PURPOSE VEHICLE

ISSUES ASSET-BACKED CERTIFICATES

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Example

Dayton Hudson Credit Card Master Trust, Series 1995-1

| Issue Date | 9/13/95 |
| Expected Maturity | 2/25/2002 |
| Structure | Senior/Subordinated, sequential pay |
| Seller | Dayton Hudson Receivables Corporation |
| Cards | Private label cards for Mervyn's, Target and Dayton's Department Store |
| Servicer | Retailers National Bank |
| Underwriter | First Boston Corporation |

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Face Value</th>
<th>Coupon</th>
<th>Ave. Life</th>
<th>Rating Description</th>
<th>Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$400 million</td>
<td>6.10%</td>
<td>3 Years</td>
<td>AAA Senior</td>
<td>Public</td>
</tr>
<tr>
<td>B</td>
<td>$123 million</td>
<td>0.00%</td>
<td>3 Years</td>
<td>AAA Subordinated</td>
<td>Private</td>
</tr>
</tbody>
</table>

Collateral Information

| Yield on portfolio | 22.52% |
| Historical yield after delinquencies | 18.90% |
| Number of accounts | 22,796,667 |
| Overcollateralization of A Tranche | 23.50% |
| Largest geographic concentration | California (24.9%) |

Asset Securitization is Now Global

Tobacco Settlement, NY

Belenus, Trains, Geldilux, etc

YPF, Argentina

DBS Land, Singapore
Asset Securitization is Now Global

- USA – still the biggest
- UK, France, Germany, other Europe
- Australia, Japan, Thailand, Indonesia, Philippines, India, etc
- Other developing countries

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Asset Securitization is Now Global

- Eurobonds

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**ABS in the USA**

Source: Merrill Lynch

**The U.S. Market**

*The bond market association estimates*
### The US Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Outstanding</th>
<th>Automobile % of Total</th>
<th>Credit Card % of Total</th>
<th>Home Equity % of Total</th>
<th>Manufactured Housing % of Total</th>
<th>Student Loan % of Total</th>
<th>Other % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$381.60</td>
<td>10%</td>
<td>$44.60</td>
<td>15%</td>
<td>$147.90</td>
<td>51%</td>
<td>$33.10</td>
</tr>
<tr>
<td>1996</td>
<td>$388.10</td>
<td>13%</td>
<td>$188.70</td>
<td>49%</td>
<td>$54.70</td>
<td>14%</td>
<td>$21.40</td>
</tr>
<tr>
<td>1997</td>
<td>$513.60</td>
<td>13%</td>
<td>$221.50</td>
<td>43%</td>
<td>$91.80</td>
<td>18%</td>
<td>$27.80</td>
</tr>
<tr>
<td>1998</td>
<td>$632.60</td>
<td>12%</td>
<td>$272.30</td>
<td>43%</td>
<td>$120.70</td>
<td>19%</td>
<td>$34.40</td>
</tr>
<tr>
<td>1999</td>
<td>$746.30</td>
<td>11%</td>
<td>$320.80</td>
<td>43%</td>
<td>$141.90</td>
<td>19%</td>
<td>$41.00</td>
</tr>
<tr>
<td>2000Q1</td>
<td>$751.00</td>
<td>11%</td>
<td>$320.60</td>
<td>43%</td>
<td>$143.50</td>
<td>19%</td>
<td>$40.20</td>
</tr>
</tbody>
</table>

### The U.S. Market

*Fannie Mae*
Asset-backed Securities

The Global Market

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Asset-Backed CP Market

Asset Securitization is Now Global

USA

UK, France, other Europe

Australia, Japan, Thailand, Indonesia, Philippines, India, etc

Other developing countries

UK 36%

France 15%

US Issues (Euros) 6%

Japan 7%

US International 3%

Spain 4%

Europe (other) 2%

Belgium 2%

Italy 2%

Australia 10%

Nordic Region 1%

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Asset Securitization is Now Global

The Market in Europe

The Global ABS Market
Example: Formula One Bond

- In May 1999, Morgan Stanley Dean Witter and WestLB led a $1.4 billion F1 Eurobond issue.
- The bond was backed by TV rights and revenues from the exclusive contract between Bernie Ecclestone’s F1 company and broadcasters for Grand Prix racing coverage.

ABS in Europe

- Mortgages
- Loans (CLOs)
- Trade receivables
- Consumer receivables
- Royalties, taxes, etc
Why Has the Asian ABS Market Not Developed Faster?

Despite a gradual increase since the early 1990s, securitization volume in Asia has lagged US and European rates, for a variety of reasons:

- A lack of legal and regulatory frameworks that would facilitate securitization;
- Tax obstacles to the transfer of financial assets and inter-company interest payments;
- Few analytic tools and an infrastructure exist for timely reporting of deal information to investors;
- A diversity of mortgage and hire-purchase terms and conditions from country to country;
- A wait-and-see approach by the monetary authorities who feared easier consumer credit conditions;
- Sovereign risk considerations have hindered cross-border transactions in the past;
- Many institutions have not faced strong incentives to remove assets from balance sheets, because of favorable funding rates and excess capital;
- The severe recession in Asia in the late 1990s led to a sharp drop in loan originations, further diminishing pressure on balance sheets.

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Ian H. Giddy
Stern School of Business
New York University
44 West 4th Street, New York, NY 10012, USA

Tel 212-998-0332; Fax 917-463-7629
ian.giddy@nyu.edu
http://giddy.org