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DJ Newswire Story Thursday, October 01, 2009 4:57:07 PM

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Attachments: image001.gif (2.9KB)

Dow Jones Newswires

EXTRA CREDIT: TALF Deals Slow As ABS Market Returns To Normal
By **Anusha Shrivastava**
A DOW JONES NEWSWIRES COLUMN
653 words
1 October 2009
16:25
Dow Jones Capital Markets Report
CM
English

NEW YORK (Dow Jones)--The Federal Reserve's program to rejuvenate the securitization market may be close to achieving its goal of stabilizing the consumer loan-backed market.

Issuance of bonds that can be bought using funds from the Term Asset-Backed Securities Loan Facility, or TALF, appears to be slowing, risk premiums are tightening and traditional buyers are returning to the market.

The Fed established TALF in March because the consumer loan-backed market virtually shut down after the collapse of Lehman Brothers Holdings Inc. (LEHMQ) as investors grew wary of bonds based on assets whose performance was in question. This jammed the flow of credit and increased the cost of borrowing as banks were unable to package loans into securities to be sold on to investors.

In recent months, with the Fed offering non-recourse loans to buy newly created asset-backed securities, investors have snapped up about $82 billion in bonds backed by auto and student loans, credit-card debt and equipment-backed loans.

New issuers have tiptoed in: Mercedes-Benz Financial sold a $1.8 billion bond led by JPMorgan earlier this week. This was Daimler/Mercedes-Benz's (DAI) first public ABS deal since 1998, according to Billy Wong, an associate on JPMorgan's ABS desk.

"The pricing on the deal was very tight, returning to July 2007's pre-financial crisis levels," Wong said, noting that the transaction is "a confirmation" that conditions in the ABS market have improved "significantly."

Issuers have also presented bonds that aren't eligible for TALF money, showing a degree of confidence that had evaporated during the credit crunch.

Now it may be nearing time for issuers and investors to wean themselves off TALF funding: Just ahead of the eighth loan-application deadline for TALF funds Friday, only $6.5 billion in new consumer loan-backed bonds have surfaced. This is a sharp drop from the previous month, when about $15 billion in deals emerged. It is also the lowest amount since April, when only four deals worth $2.9 billion were sold.

Risk premiums have tightened to such a degree that leveraged investors no longer want to use TALF money to buy these bonds. Spreads on triple-A three-year fixed-rate auto ABS came in 225 basis points in March, when TALF was launched, and have "continued to grind tighter as real money demand revives and the auto ABS market heals," said Citigroup analysts in a note. Now, the average fixed-rate spread on these bonds stands at 65 basis points, close to what it was before the crisis.

At these spread levels, "most buyers are non-TALF," said Dan Nigro, a portfolio manager at Dynamic Credit Partners in New York.

Gone are the hedge funds that were looking to use Fed money to make profits on loans from which they could walk away if anything went awry; in their place are the more traditional ABS sector investors - pension funds and money managers.

The Fed has extended the consumer loan-backed portion of the TALF program through March 31, 2010, and its support may be used until then, but at least there are clear signs that the market won't freeze without TALF.

(**Anusha Shrivastava** covers asset-backed securities and commercial paper for Dow Jones Newswires. She can be reached at 212-416-2227 or by email at **anusha.shrivastava**@dowjones.com.)

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Dow Jones Newswires

Bulk Of TALF-Eligible Deals Sold Ahead Of Loan Deadline
By **Anusha Shrivastava**
Of DOW JONES NEWSWIRES
462 words
1 October 2009
16:23
Dow Jones Capital Markets Report
CM
English

NEW YORK (Dow Jones)--American Home Mortgage Advance Trust is the latest to sell a bond ahead of the eighth loan application deadline for a Federal Reserve program.

Friday is the deadline for investors to procure cheap funds from the central bank to buy newly created consumer loan-backed bonds through its Term Asset-Backed Securities Loan Facility, or TALF. Deals worth about $6.5 billion were issued ahead of this deadline.

American Home Mortgage's deal sold at 195 basis points over the one-month London interbank offered rate, or Libor. Joint leads on the deal were Deutsche Bank and RBS.

Earlier Thursday, Harley Davidson Inc.'s (HOG) $700 million deal also sold, according to a person familiar with the matter. The deal, dubbed HDMOT 2009-3, had four tranches. The largest triple-A rated tranche sold at 35 basis points over a short-term futures benchmark.

Citi Financial Auto sold its $1.40 billion auto-sector deal, according to a people familiar with the deal. The bond is dubbed CFAIT 2009-1 and its largest triple-A rated tranche worth $570 million sold at 125 basis points over a short-term futures benchmark, in line with guidance.

The Fed's efforts to support the securitization market, where consumer loans are packaged into bonds for sale to investors, has helped rejuvenate it. The process of securitization aided the ramping up of credit and helped fuel the lending boom that came to an abrupt halt with the credit crisis.

More than $100 billion in such deals have been sold since the launch of the TALF program in March, with the bulk being eligible for the Fed's facility. About $15 billion in bonds sold in the last round of TALF loan applications in September.

The attractive terms of the program, where investors can walk away from the loans if anything goes awry, has drawn them to this market.

Other issuers this time around include Mercedes-Benz Financial and Ford Motor Co. (F), both of which sold deals earlier this week.

Mercedes's deal is dubbed MBART 09-1, and its largest triple-A tranche worth $445 million sold at 30 basis points over a benchmark, in line with guidance. Joint leads on the bond are Barclays Capital and JP Morgan.

Ford Motor's $1.5 billion dealer floorplan-backed bond was called FORDF 09-2. It priced at 155 basis points over one-month Libor. The deal was increased in size from an original $1 billion. Joint leads on the deal are Barclays Capital and Morgan Stanley.

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