



# Structured Finance > Investment Grade

## ABS: Ford Credit Auto Owner Trust Series 2015-REV1/2015-REV2

Updated: Sep 24, 2015

### Trade Idea:

- ▶ Purchase class A Ford revolving ABS transactions for extension protection and spread pick-up versus similarly rated structured finance assets with commensurate duration

### Investment Rationale:

- ▶ **Security:** The class A notes are secured by a revolving pool of prime retail sales contracts (receivables) secured by new and used cars, light trucks and utility vehicles originated in the U.S. by Ford Motor Credit. The notes are not obligations of, or guaranteed or insured by Ford Credit or any of its affiliates.
- ▶ **Credit enhancement:** The class A securities are the most senior class of the capital structure protected by 13.8% available credit support. Credit support is comprised of excess spread, a cash reserve account and subordination. Available credit support provides roughly 5.5x loss coverage from the collateral pool's expected loss assumption of 2.5%.
- ▶ **Structural attributes:** Series 2015-REV1/2015-REV2 will include a revolving period for up to five years. During the revolving period, noteholders will receive interest only while loan collections not needed to pay interest and fees will be available to purchase additional receivables. Since the collateral pool composition may change during the revolving period as new receivables are purchased, pool composition and credit enhancement tests are administered to ensure the integrity of the collateral pool. Additionally, investors are further protected by performance related triggers, 60+ day delinquencies and cumulative net loss, designed to protect investors from deteriorating asset quality. Upon breach of either one or both of these triggers, credit support available to noteholders would increase. The transaction also includes amortization events that if tripped, would terminate the revolving period and commence repayment of the notes beginning with the class A securities. At the conclusion of the revolving period, absent an early amortization event, investors would receive principal in one lump-sum-payment.
- ▶ **Relative value:** This is the first auto securitization to be structured with a revolving period for the full term of the deal and considering the high quality of the collateral pool, available credit support, the strong legal and cash flow structure and limited average life variability at current spread levels we find this attractive versus five-year 'AAA/Aaa'-rated high quality credit cards.

### Recommendation(s):

View	Trade Horizon	Deal & Tranche Info	Sponsor	Ratings	Cusip	Average Life / Duration	Tranche Par	Spread to Swaps	\$ Price	Current Yield*	Ability to Source Similar
Buy	12+ Months	FORDR 2015-1 A FORDR 2015-2 A	Ford Motor Credit	Aaa/AAA (Moody's/S&P)	34530RAA6 34530WAA5	4.75/4.48	\$1.5B/ \$750M	+65	Par	2.10%	Moderate pipeline