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# Prime US auto asset-backed securities losses up 60 pct yr-on-yr basis - Fitch

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BANGALORE (Thomson Financial) - Fitch Ratings said prime annualised net losses (ANL) on US auto-loan asset-backed securities (ABS) surged 60 pct higher on a year-on-year basis, adding that these securities are in for a bumpy ride in 2008 as loss severity levels on defaulted loans are expected to increase.

Fitch said ABS rose to 1.34 pct in December 2007, which is a 15.5 pct jump over November.

In its quarterly auto ABS newsletter 'In the Auto ABS Driver's Seat', the ratings agency said the ANL rate has more than doubled through the end of 2007 compared with the rate of 0.66 pct recorded in June 2007.

While increasing in absolute and percentage term, prime ANL performance through the end of 2007 remained within range of the levels experienced in 2003-2005, it said.

Fitch said it does not expect to see much relief in sight for auto ABS performance in both the prime and subprime sectors in the coming months. Current conditions in the economy along with a softer wholesale market will further pressure performance, despite this time of the year usually being a seasonally stronger period, it added.

In its report 'Loss Severity in Auto-Loan ABS Under Pressure in 2008', the ratings agency discusses key factors that drive loss severity in auto ABS including lengthening loan terms (longer than 60 months), rising loan-to-value (LTV) ratios, incentives, and the state of the wholesale vehicle market.

It said auto lenders originating and underwriting longer term loans and higher LTVs in 2008 will be confronted with higher loss frequency as default levels rise resulting in increased net loss rates in their portfolios.

Auto lenders have been extending loan terms beyond 60 months in greater frequency in the past few years, resulting in a significantly higher percentage of these loans in securitised pools.

The ratings agency said the state of the wholesale vehicle market plays a vital role in determining loss severity levels in auto ABS pools.

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In December 2007, Fitch's prime 60+ day delinquency index rose to 0.69 pct, which was 6.2 pct above November, but 30 pct higher versus 2006, and well above levels produced in 2003-2005.

Prime cumulative net losses (CNL) were 0.68 pct in December 2007 rising 4.6 pct over November, and 8 pct higher on a yearly basis.

Fitch said subprime auto ABS continued to display weaker performance in December 2007. 60+ days delinquencies hit 3.66 pct in December, 4 pct higher than in November and rising 35 pct on a year-over-year basis.

Subprime ANL hit 7.56 pct in December 2007, 3 pct up over November. On a yearly basis, ANL were 14.5 pct higher in December 2007 versus the same period in 2006.

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