

Fitch: GM Recalls Unlikely to Impact US Auto ABS Ratings

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--While US auto lease ABS is unlikely to experience near term fallout from the recent General Motors (GM) recalls, potential reputational damage to the company's brand could be a risk in the longer term, Fitch Ratings says. Due to robust credit enhancement structures designed to address such risks, we expect stable ratings performance for US auto lease ABS with GM vehicle exposure.

Current Fitch-rated auto lease pools have little exposure to the ignition switch and power steering recalls that affect models from the compact car to full size truck segments with model years from 2003 to 2015. However, recent pools securitized by GM Financial and Ally Bank each contain affected vehicles to varying degrees. Notably, GMFALT 2014-1 includes material exposure to the Chevrolet Cruze, one model included in the recall.

Fitch does not expect any rating actions to auto lease ABS specifically related to the vehicle recalls. Levels of stress employed in rating transactions account for these types of events, particularly where pools include large model concentrations - like the Cruze in GMFALT 2014-1. Second, recent model year vehicle leases generally will not mature until 2016 or beyond, allowing time for headline risk to subside and for transaction credit enhancement to grow.

The most recent precedent for a recall with such scale and media coverage was Toyota's sudden acceleration 2009-2010 recall of over 10 million vehicles. In that case, some perception deterioration was evident although ultimately, there was minimal long term residual value deterioration.

Fitch will continue to evaluate the potential influence of these and other events on future residual realizations and adjust our analysis as warranted.

Additional information is available on www.fitchratings.com.

The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and

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