Association for
Investment Management
and Research

AIMR

S7-21-04

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CORPORATION FINANCE

September 30, 1996

Brian Lane
Director
Division of Corporate Finance
U.S. Securities and Exchange Commission
450 Fifth Street. N.W.
Washington, D.C. 20549

Re: Recommendations for a Disclosure Regime for Asset-Backed Securities

Mr. Lane:

The AIMR[1] Task Force on Disclosures for Asset-Backed Securities is pleased to offer its views to the Securities and Exchange Commission staff on improving both (i) the disclosure regime for the public offering of term asset-backed securities (ABS)[2], and (ii) reporting obligations subsequent to issuance. The Task Force is responding to your request for information about the current regime and recommendations for its enhancement. The Task Force members are all practicing professionals who routinely review and evaluate such security offerings, and who have been concerned for some time about the lack of timely, adequate disclosure with respect to these securities. We are grateful for this opportunity. The Task Force's recommendations should be considered representative of the needs of investors, rather than a comprehensive list of the disclosure or reporting obligations that should be considered. These recommendations are the personal views of the members of the Task Force and do not necessarily reflect the views of their employers or of all members of AIMR. We would be pleased to provide the Commission staff with any additional information needed to clarify or enhance our comments.

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[1] AIMR is a global not-for-profit membership organization with more than 50,000 members and candidates comprised of investment analysts, portfolio managers, and other investment decision-makers employed by investment management firms, banks, broker-dealers, investment company complexes, and insurance companies. AIMR members and candidates manage, directly and through their firms, over six trillion dollars in assets. The Association's mission is to serve investors through its membership by providing global leadership in education on investment knowledge, sustaining high standards of professional conduct, and administering the Chartered Financial Analyst (CFA®) designation program.

[2] The reference to ABS in this letter pertains to those structured financings commonly referred to as "asset-backed securities", as opposed to other structured financings known as asset-backed commercial paper, residential mortgage-backed securities, or commercial mortgage-backed securities. The assets underlying an ABS are often comprised of credit card receivables, automobile loans or leases, home equity or home improvement loans, manufactured housing contracts, dealer floorplan receivables, student loans, equipment loans, etc. Use of the word "term" indicates that these securities generally have initial maturities of more than one year. Some term ABS have tranches with short final maturities, making them eligible for purchase by money market mutual funds.

5 Boar's Head Lane • P. O. Box 3668 • Charlottesville, Virginia 22903
Phone: 804-977-6600 • Fax: 804-977-1103

FINANCIAL ANALYSTS FEDERATION

General Comments

The ABS market is large and vibrant, with issuance in 1995 of more than $100 billion and estimates for 1996 of up to $150 billion. The Task Force believes that, despite rapid growth, the ABS market has functioned reasonably well over its eleven-year history. The size of this market and its important contribution to the capital formation process dictate the need not only for a functionally effective disclosure regime, but also for a regulatory approach that minimizes disruption of the market mechanism. To this end, the Task Force urges the SEC staff to consider the following issues in its review of ABS disclosure practices. We believe that changes to the regulatory framework are most likely to succeed when they (i) are carefully considered with ample time for thoughtful comment by all concerned parties, specifically including the investment community, and (ii) do not unnecessarily increase the cost of issuance or discourage innovation.

Discussion of the Current Disclosure Regime

The SEC's expansion of shelf registration to ABS significantly decreased the amount of information disseminated to investors in ABS offerings. Subsequent no-action letters issued by the SEC Division of Corporate Finance further reduced the level of disclosure. Sponsors[3] of ABS are no longer required to disseminate essential pre-sale information, such as "red herring" prospectuses or equivalent data, regarding the structures of the offerings or characteristics of the receivables in the pools. As a result of these actions by the SEC and its staff, ABS are frequently offered with inadequate amounts of time and information for investors to make informed judgments about the securities.

The need for better disclosure than is currently mandated results from (i) the complex nature of ABS in general, and (ii) the highly unique nature of individual ABS transactions. This extremely important point becomes readily apparent when contrasting ABS with the very typical "plain vanilla" debt offerings that dominate the corporate bond market. When assessing the investment merit of such corporate bonds, the primary risk considerations relate to credit and liquidity. A bond's prospective liquidity in the secondary market can usually be estimated fairly quickly. Further, the credit risk of those corporations for whom publicly available financial statements are available can, theoretically, be assessed well before a given debt offering occurs (provided that the firm's capital structure is not altered significantly thereby). This is especially true for frequent issuers, of

[3] This letter will make reference to several different types of entities that are involved with an ABS transaction. The Sponsor is the entity that has opted to access the ABS market by securitizing receivables, and which has filed a registration statement. The Originator is the operating entity that initially created the receivables. The Seller is the operating entity that owns the receivables, prior to transferring them to the Special-Purpose Entity (SPE). The SPE funds its acquisition of the receivables by issuing notes or certificates to investors. The Servicer is the operating entity that manages the receivables, performing such functions as accounting, billing, and collecting. The Sponsor and the Seller are always affiliated. In very many cases, the Sponsor, the Originator, the Seller, and the Servicer are affiliated, and frequently are one and the same.

whom the investment community is likely to have considerable knowledge. While ABS investors can also make quick assessments of a security's probable liquidity characteristics, in very many instances they simply cannot evaluate its credit risk prior to its approximate offering date. This is because ABS are often issued by unique, newly created special-purpose entities (SPEs) that have no operating history. These SPEs acquire newly formed pools of receivables, and then issue ABS, the credit enhancement of which reflects the uniqueness of both (i) the legal and cash flow structures of the transaction, and (ii) the characteristics of the receivables pool. Accordingly, investors cannot possibly assess the credit risk of an ABS as far ahead of its offering date as is theoretically (and, in many cases, practically) possible with a corporate bond.

Beyond credit and liquidity considerations, however, ABS investors must also analyze legal and cash flow risks that corporate bond investors generally do not have to contend with. Legal risks pertain to such matters as (i) the characterization of the transfer of the receivables from the Seller to the SPE, (ii) the income tax treatment of the SPE, and (iii) the eligibility of the certificates for purchase by employee benefit plans subject to ERISA. The cash flow risks of an ABS reflect the uncertainty regarding the timing of its principal cash flows. This uncertainty derives from the default and prepayment characteristics of the securitized receivables, both of which may be affected by changes in the economic environment. Prepayment speeds, in particular, may be especially sensitive to changes in interest rates. This cash flow variability is important because the market value of a security, and its suitability for any given investor, depend heavily upon the timing of its principal cash flows. Many investors assess cash flow risk by developing computer models of ABS transactions, and performing scenario analyses. Their cash flow models are also extremely useful in quantifying credit risk. However, given the unique nature of individual ABS transactions, and their high levels of complexity, model construction can be extremely time consuming. Again, corporate bond investors generally do not have to concern themselves with either legal or cash flow risk.

The point of the two preceding paragraphs was to emphasize the high degrees of uniqueness and complexity that characterize many ABS, relative to traditional corporate debt offerings. An effective disclosure regime for ABS would allow investors, through diligent analysis, to strip away the layers of complexity and evaluate risk appropriately. The high levels of uniqueness and complexity common to many ABS call for commensurately high levels of both (i) information, and (ii) time with which to process it. Unfortunately, the Task Force strongly believes that the ABS disclosure regime has moved in the wrong direction. This adverse development should be of concern to all parties involved with ABS, given that the effective processing of information is essential to the depth and efficiency of any market. In order to reverse the current trend toward a less effective disclosure regime, the Task Force believes that improvements are necessary in three broad areas pertaining to ABS, namely (i) the level and quality of information disclosed prior to security issuance, (ii) the timing of disclosure prior to security issuance, and (iii) post-issuance disclosure, particularly the timely availability of relevant pool performance data.

The Level and Quality of Information Disclosed Prior to Security Issuance

Due to their high levels of uniqueness, it is difficult, if not impossible, for us to prepare an exhaustive list of the types of information that should be disclosed for ABS. The dynamic nature of both the ABS market and the receivables underlying the securities implies that any such list could quickly become outdated. Nevertheless, the Task Force believes that there is some essential information that is broadly applicable. If investors had more time to review the offering material prior to issuance (as discussed on pages 8 and 9 below), they could analyze the available information thoroughly and, if appropriate, request that additional disclosure be made available through the use of term sheets/computational materials.

Basic Disclosure Required for the Analysis of Any ABS Offering

The required disclosure for any ABS offering should include a clear, precise description of the assets being securitized and a description of each of the securities being offered, whether under the registration statement or pursuant to a contemporaneous private placement. This information should be described in plain English and not be full of "legalese" or "boiler-plate" jargon.[4] At a minimum these descriptions should include the following:

1. Information about the Structure of the Securities:

   a. Cash flow characteristics, including explanations of the allocation and priority of payments; early amortization triggers; put/call features; payment or prepayment speed (including assumptions, and the sensitivity of the average life or duration thereto); and tax characteristics;

   b. Credit enhancement, including the type; level (beginning, required, and floor amounts); draw mechanics; and business and financial statement information concerning any party providing credit enhancement (either in the document or by reference to other publicly available documents);

   c. Voting rights, if any, and the allocation of those rights among the holders of different classes;

   d. Tax treatment; and

   e. ERISA eligibility.

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[4] See letter to SEC Commissioner Steven Wallman from the AIMR Task Force on Capital Formation concerning the proposed company registration system (September 27, 1995) and letter to Nancy M. Smith, Director, Office of Investor Education and Assistance from Michael S. Caccese concerning "plain English" disclosure documents (January 3, 1996).

2. Information about the Assets:

   a. At least five years of historical portfolio performance information, such as delinquencies; defaults; losses; repossessions; recoveries; payment or prepayment speed; dilution rate; attrition rate[5] ; and purchase rate;

   b. At least five years of historical master trust performance information (if applicable), including portfolio yield; servicing fee; weighted average investor coupon; charge-off rate; excess servicing; delinquency rates; purchase rate; and payment rate; and

   c. Pool information, including size; number of accounts; geographic distribution; and the weighted averages and distributions for coupon, original maturity, and remaining maturity.

3. Information about the Servicer[6] :

   a. Financial statements, if not publicly available;

   b. Technological capabilities (e.g., automatic telephone dialing systems);

   c. Personnel;

   d. Collection procedures and policies, including the extent to which policies are overridden;

   e. Charge-off policies, and the extent to which policies are overridden;

   f. Overall capability, track record, and financial viability; and

   g. Provisions for replacement.

4. Information about the Seller: Financial statements, if not publicly available.

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[5] Account attrition is not usually provided to investors and is not currently found in the offering documents.

[6] Information about the Seller, the Servicer, and the Originator are essential in understanding the legal, cash flow, and credit risks of a transaction.

5. Information about the SPE:

    a. Type (e.g., grantor trust, owner trust, or special purpose corporation);

    b. Ownership structure; and

    c. Tax characteristics.

6. Information about the Originator:

    a. Financial statements, if not publicly available;

    b. Loan solicitation methods (e.g., mail, purchase, balance transfer, or direct underwriting);

    c. Underwriting policies and procedures (e.g., scoring models, independent appraisals, credit checks, or employment verification), including the extent to which policies are overridden; and

    d. Overall capability, track record, and financial viability.

7. Other important information:

    a. Rights and remedies of the ABS investors vis-à-vis the Sponsor, Originator, Seller, Servicer, SPE, Trustee, Credit Facility Provider, etc., as well as the rights between classes of securities being issued;

    b. Unusual risks associated with the offering;

    c. Representations, warranties, and covenants;

    d. Events that can trigger liquidation or amortization, and the rights of investors when such events are triggered;

    e. Extension provisions, and the percentage of investors required for extension;

    f. Reports that investors can expect to receive, including the schedule for the release of information;

    g. Summary of experts' opinions; and

    h. Fees paid, or payable, to the Originator, the Servicer, or others.

Disclosure of Static Pool Analysis and Vintage Analysis

Two conceptually similar types of analysis can be performed upon (i) amortizing assets in discrete trusts, or (ii) revolving assets in master trusts. The review of data pertaining to discrete trusts is known as static pool analysis. The analogous concept for revolving assets in master trusts is referred to as vintage analysis. While ABS investors often can, through their own efforts using good surveillance data, obtain or perform static pool analyses of discrete trusts, they can make no such claim in regard to vintage analysis for revolving assets placed in master trusts[7]. The related concepts of vintage analysis and static pool analysis are increasingly recognized by investors for their importance in understanding the behavior of the receivables underlying an ABS. In "Undisclosed Truths: Are ABS Investors Being Left in the Dark?"[8], Robbin Conner of Moody's Investors Service draws a comparison between (i) vintage and static pool analysis, and (ii) the business segment reporting required in corporate annual reports. In addition to disclosure of historical portfolio data, the Task Force recommends that five years of static pool analysis for discrete trusts, or vintage analysis for revolving assets in master trusts, be provided. This disclosure would include the types of information listed in paragraphs 2.a. and 2.b. above. The Task Force also recommends the substitution of vintage analysis for static pool analysis, for those discrete trusts holding receivables originated over the course of several years.

For a simple example of static pool analysis, please refer to the attached page 27 of the Class A common stock prospectus for Union Acceptance Corporation (dated August 1, 1995). (It is interesting to note that this useful information was disclosed to potential equity investors, but not to ABS investors.)

Three other issues relating to the level and quality of information disclosed in ABS offerings are of concern to investors, namely (i) the prefunding of discrete trusts, (ii) the shopping for credit ratings, and (iii) the reliance by the Nationally Recognized Statistical Rating Organizations (NRSROs) upon cash flow models supplied by the underwriters. All three of these issues involve the NRSROs, to varying degrees.

Prefunding of Discrete Trusts

The Task Force believes that prefunding discrete trusts poses additional analytical problems for investors, and that the practice should be sharply limited or eliminated. Although NRSROs investigate the credit impact of all future purchases of receivables made by a prefunded trust, the

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[7] The same holds true for the Nationally Recognized Statistical Rating Organizations. Rating agencies can, and normally do, perform static pool analysis, but do not have the ability to do vintage analysis. This information must come from the Seller.

[8] Conner, R. "Undisclosed Truths: Are ABS Investors Being Left in the Dark?", Structured Finance, Special Report, Moody's Investors Service, Inc., Global Credit Research, May 23, 1996.

Task Force understands that their review does not extend to the cash flow modeling implications of the added receivables. Given that the time value of money represents a critical source of return for all fixed income investors, it is imperative that the cash flow characteristics of ABS be well understood by the investors who own them. Prefunding limits investors' ability to model cash flows accurately at the time the securities are initially offered.

Shopping for Credit Ratings

The Task Force is concerned that some ABS Sponsors actively shop for credit ratings. In this practice, a Sponsor of a soon-to-be-issued ABS presents its proposed security to the various NRSROs and utilizes, subject to any perceived market constraints, only the one or two NRSROs that bestow the highest credit ratings, or which require the least amount of credit enhancement. The Task Force believes that the negative effects of this form of adverse selection could be mitigated if the Sponsors of ABS offerings were required to disclose the names and proposed ratings of all NRSROs that had been asked to review the security.

NRSRO Reliance upon Cash Flow Models Supplied by the Underwriters

The Task Force believes that, in some instances, the NRSROs rely upon the cash flow modeling capabilities of the underwriters when assessing credit risk. In these cases, the NRSROs do not develop their own, independent cash flow models. Rather, they subject the underwriters' models to various stress tests, and use the results of these tests to establish credit ratings and credit enhancement levels. The objectivity of the credit ratings would obviously be enhanced if the NRSROs could, in all cases, develop their own cash flow models. To the extent that they can't, their degree of reliance upon the underwriters' cash flow models should be disclosed to ABS investors.

The Timing of Disclosure Prior to Security Issuance

Because of the way investors function in the current disclosure regime, the Task Force believes that, in order to make informed investment decisions, ABS investors should receive an "offering document", substantially similar to a preliminary prospectus, at least 48 hours before the sale of the securities. The Task Force would like to place this recommendation in context by making specific comments on the following issues: shelf registration; term sheets/computational materials; structuring flexibility; and the needs of money market mutual fund investors.

Shelf Registration

Given the high levels of uniqueness and complexity implicit to many ABS, the Task Force believes that the shelf registration disclosure regime is much more appropriate for the corporate debt and equity markets than it is for ABS. The principal disadvantages of the current regime are (i) the

frequent lack of preliminary prospectuses, and (ii) the very limited amounts of time available for reviewing those preliminary prospectuses that do get distributed. Assuming that ABS remain eligible for shelf registration (such that the timely delivery of preliminary prospectuses is not mandated), the Task Force strongly recommends that ABS Sponsors be required to provided investors with an "offering document" at least 48 hours prior to sale of the ABS. This document would be substantially similar in content to a preliminary prospectus, but would not require the SEC review that preliminary prospectuses do. The Task Force fully expects that the offering document would be subject to the anti-fraud provisions of the Securities Acts.

Term Sheets/Computational Materials

The Task Force believes that term sheets/computational materials should be viewed as being supplements to a preliminary prospectus or comparable offering document, and not as substitutes therefore.

Structuring Flexibility

The Task Force believes that the need for structuring flexibility by Sponsors in publicly issued ABS is somewhat overstated, and does not justify the failure to provide timely, pre-issuance disclosure via a preliminary prospectus or comparable offering document. The number of actual instances in which investor input leads to last-minute changes in the structure of an offering appears to be relatively low. The Task Force would find it acceptable, however, for a Sponsor to give investors 24 hours' advance notice of a change to the structure of an offering, as long as there were no change in the receivables pool or credit enhancement, and adequate term sheets/computational materials had been supplied. For example, if the Sponsor provides all relevant pool and credit information at least 48 hours prior to sale, but decides to add a 2-year tranche to a structure that already had 1-, 3-, 5- and 10-year tranches, investors should be able to perform the required analysis within a 24-hour period.

The Needs of Investors Subject to Rule 2a-7 of the Investment Company Act of 1940

As problematical as the lack of timely, pre-issuance disclosure information is for investors in the term ABS market, it is even more so for investors subject to Rule 2a-7 requirements, as they evaluate the short money market tranches of term ABS. When offerings are made with little or no disclosure information or when disclosure is not timely, these investors may be effectively precluded from participating in these transactions.

Post-Issuance Disclosure of Pool Performance and Other Surveillance Data

The Task Force recommends that the Servicer be required to file monthly servicing reports with the SEC on Form 8-K, as a means of providing the timely disclosure of relevant pool performance and other post-issuance data, which may not be available elsewhere.[9] This requirement is essential if investors are to be assured of first-hand access to surveillance information following purchase of the security. Surveillance information allows investors to monitor the performance of both the receivables pool and the parties to the transaction, and promotes the development of a liquid secondary market for the ABS. The Task Force believes that the cost of providing this information is minimal since, in most cases, these filings could be comprised of the servicing reports that Servicers generate in the normal course of business.

Investors have previously been denied this information, most notably when ownership of the securities is registered in book entry format. (Please see our comments on the 300 Holder Rule below.) In such cases, the prospectus or prospectus supplement may reference a detailed list of relevant surveillance information in a section titled "Reports to Certificateholders." Because the only certificateholder of record is The Depository Trust Company (DTC) or its nominee, Cede & Company, actual investors, who are not recognized as certificateholders, have no assurance that they will receive the listed surveillance information. Although direct participants in DTC should transmit such information to investors, the experience of the members of the Task Force has been such that surveillance information is typically not received in a timely manner, if ever.

The Task Force makes the following specific recommendations regarding this form of disclosure:

1. Filing Requirement:

   A monthly servicing report should be filed with the SEC within 48-hours of its completion. Responsibility for the timely filing of this report should rest with the Servicer.

2. Form of the Servicing Report:

   A copy of the form that the servicing report will take should be included with the offering document.

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[9] Some Sponsors already file this information with the SEC on Form 8-K. It should be noted that there are also some external sources of information, such as the NRSROs, sell-side analysts, Bloomberg, and Telerate. These sources, however, are not always timely and/or sufficiently comprehensive. Further, some securities may not be covered. For ABS investors, the inability to obtain full servicing reports from Sponsors or Servicers is analogous to equity investors being unable to obtain Forms 10-K or 10-Q from a corporation, and having to settle for abbreviated versions acquired from other sources.

3. Scope of the Servicing Report:

The servicing report should contain all computations (or the components of the computations) for all relevant statistics mentioned in the offering document or in the pooling and servicing agreement. These relevant statistics may include performance tests that relate to cumulative losses or gross receivables, items which may not otherwise appear in a servicing report. The following are examples of the information that the Task Force expects to be reported:

a. Information about the Securities:

The allocation of payments (e.g., principal versus interest, or senior versus subordinated); credit enhancement levels (the current balance, and information regarding draws and trigger or amortization events); and the weighted-average investor coupon;

b. Information about the Pool of Receivables:

Delinquencies; defaults; losses; repossessions; recoveries; current payment or prepayment speed; dilution rate; attrition rate; purchase rate; weighted-average coupon; weighted-average original maturity; weighted-average remaining maturity; portfolio yield; servicing fee; excess servicing; the seller percentage (with its minimum required level); account additions or removals; and the use of any discounting option; and

c. Other relevant surveillance information:

Additional information which is relevant in assessing the status of the ABS, including such items as the quarterly and annual financial statements of the Seller, the Servicer, and the Originator (if not publicly available); violations of any representations, warranties, or covenants; changes to underwriting standards; and changes to servicing procedures or policies.

4. 300 Holder Rule:

The 300 Holder Rule exacerbates investor difficulty in obtaining timely, relevant pool performance data. AIMR has already addressed many of the difficulties resulting from the 300 Holder Rule with the Commission.[10] In addition to the comments in AIMR's Bondholder Rights Committee letter, the Task Force believes that providers of book entry

[10] See letter to Jonathan G. Katz from Michael S. Caccese, dated August 8, 1994, re: File Number S7-16-94 on the SEC's proposal to extend certain reporting requirements to issuers of OTC-traded debt securities.

custody services should be encouraged to promptly forward relevant pool performance data to the beneficial holders of the securities. Failure to address the issues relating to the 300 Holder Rule will render meaningless all other efforts to ensure the availability of periodic reporting information.

Concluding Remarks

The AIMR Task Force on Disclosures for Asset-Backed Securities appreciates the opportunity to express its concerns about the current disclosure regime for ABS, and to make recommendations for changes to that regime.[11] Because we understand the complexity of the analysis required by investors, we are sensitive to the issues that the Commission and its staff must address in formulating new disclosure requirements that will meet investor needs, and yet be acceptable to the other participants in the ABS market.

If you or any of your staff have any questions or wish clarification of our comments, please contact Patricia D. McQueen, CFA, at (804)980-9701. The Task Force would be happy to provide any additional information that you need, and looks forward to continued participation in this process.

Sincerely,

Alan F. Bembenek, CFA
Chair

Michael S. Caccese, Esq.
Senior Vice President, General Counsel and Secretary

Members of the Task Force:

Alan F. Bembenek, CFA, Chair	Fidelity Management & Research Company
Jack A. Ablin, CFA	Bank of Boston
Elena Alvarez	Bankers Trust Company
Marjorie Anderson, CFA	Allstate Life Insurance Company
Patrick Miner, CFA	Mutual of Omaha Companies

Attachment

[11] It is our understanding that asset-backed securities, and other securities that are not valued on the basis of an issuing company's business and financial information, would not be eligible for the company registration system. Therefore, we believe that the position expressed in this letter is consistent with the position that AIMR's Task Force on Capital Formation and Regulatory Processes has taken on that proposal.

cc: Distribution List
Abigail Arms, SEC, Associate Director, Division of Corporate Finance
Michael Mitchell, SEC, Division of Corporate Finance
Patricia D. McQueen, CFA, AIMR, Director of Advocacy Programs

Losses to Portfolio Liquidation

Pool	Original Balance	Current Balance	At March 31, 1995 Total Liquidations[1]	Aggregate Net Losses[2][3]	Loss To Liquidation[3][4]
		(dollars in thousands)			
1995-A Grantor Trust	$173,482	$161,319	$12,163	$108	0.89%
1994-D Grantor Trust	114,070	98,212	15,858	395	2.49
1994-C Grantor Trust	150,725	112,480	38,245	1,022	2.67
1994-B Grantor Trust	142,613	105,317	37,296	965	2.59
1994-A Grantor Trust	119,960	76,080	43,880	1,063	2.42
1993-C Auto Trust	141,311	83,775	58,036	1,420	2.45
1993-B Auto Trust	212,719	108,957	103,762	2,647	2.55
1993-A Grantor Trust	133,091	53,263	79,828	1,573	1.97
1992-C Grantor Trust	119,280	38,947	80,333	1,627	2.03
1992-B Grantor Trust	116,266	30,021	86,245	1,628	1.89
1992-A Grantor Trust	103,619	18,65	84,961	1,830	2.15
1991-B Grantor Trust	106,612	12,455	94,157	1,802	1.91
1991-A Grantor Trust (5)	150,436	-	135,946	1,181	0.87
1989-B Grantor Trust (5)	66,469	-	60,504	2,091	3.46
1989-A Grantor Trust (5)	113,080	-	103,140	2,197	2.13
1988 Grantor Trust (5)	105,179	-	96,191	2,879	2.99

(1) Total payments in respect of principal through March 31, 1995 (or date of call), including charge-offs on defaulted loans.
(2) Losses of principal net of recoveries on defaulted loans through March 31, 1995.
(3) Aggregate net losses are reduced by current repossessed autos in inventory at National Auto Research "Black Book" wholesale value.
(4) Aggregate net losses divided by total liquidations.
(5) With respect to pools 1988, 1989-A, 1989-B and 1991-A, the amounts and percentages described reflect data as of the pools' respective call dates. The 1988 pool was called in September 1992 and was not subject to Credit Scoring. The 1989-A pool was called in July 1993 and approximately 30% of the pool was subject to Credit Scoring. The 1989-B pool, a variable rate pool, was called in March 1993 and approximately 10% of the loans were subject to Credit Scoring. The 1991-A pool was called in July 1994 and 100% of the loans were subject to Credit Scoring.

Financial Condition

Loans, Net and Servicing Portfolio. The Company's portfolio of loans, net increased to $193 million at March 31, 1995, from $96.1 million at June 30, 1994, and $134.7 million at June 30, 1993. This change was attributable to the volume of loans originated as well as the timing of the loan sales during fiscal 1995. Loans held for sale reached a maximum level of $153.1 million, $245.0 million, and $199.8 million during each of fiscal 1993 and 1994 and for the nine months ended March 31, 1995, respectively. The reduction in maximum loans held for sale was a consequence of both the timing of securitizations and reduced acquisition volume during late calendar year 1994, discussed above. The Company sold in three, four and three securitization transactions $438.2 million, $617.6 million and $368.6 million of loans in the nine months ended March 31, 1995, fiscal 1994 and fiscal 1993, respectively. Loans, net includes the principal balance of loans held for sale, net of unearned discount, loans in process, and Dealer Premiums net of reserve. In addition, the Company serviced $899.5 million, $763.5 million and $456.6 million in securitized loans and the total servicing portfolio was $1.1 billion, $843 million and $581.9 million as of March 31, 1995, June 30, 1994, and June 30, 1993, respectively.

Excess Servicing. Excess Servicing increased to $36.7 million as of March 31, 1995, from $31.4 million as of June 30, 1994, and $26.6 million at June 30, 1993. This balance has been increased by amounts capitalized upon each securitization and has been offset by amortization of this asset against servicing fees. Therefore, these increases were primarily a result of the increase in the volume of securitization transactions.

Spread Accounts. Spread Accounts increased to $48.2 million at March 31, 1995, from $37.3 million at June 30, 1994, and $24.1 million at June 30, 1993. This balance has been increased by any initial deposits made upon securitization of loan pools and subsequent deposits of excess servicing fees and has been reduced by any withdrawal of funds from the Spread Accounts. Therefore, this increase has been primarily a result of the increase in the securitized servicing portfolio.