-Fitch Assigns Expected Ratings to MME Autopay ABS 2024-1 Trust; Outlook Stable

ENP Newswire

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Body

Fitch Ratings has assigned expected ratings to MME Autopay ABS 2024-1 Trust's pass-through floating-rate notes.

The notes are backed by a pool of first-ranking Australian automotive loan receivables originated by ***MoneyMe*** Financial Group Pty Ltd. The notes will be issued by Perpetual Corporate Trust Limited as trustee for the trust.

RATING ACTIONS

Entity / Debt

Rating

MME Autopay ABS 2024-1 Trust

Commission Notes AU3FN0092169

LT

AAA(EXP)sf

Expected Rating

A1 AU3FN0091286

LT

AAA(EXP)sf

Expected Rating

A2 AU3FN0091294

LT

AAA(EXP)sf

Expected Rating

B AU3FN0091302

LT

AA(EXP)sf

Expected Rating

C AU3FN0091310

LT

A(EXP)sf

Expected Rating

D AU3FN0091328

LT

BBB(EXP)sf

Expected Rating

E AU3FN0091336

LT

BB(EXP)sf

Expected Rating

F AU3FN0092136

LT

B(EXP)sf

Expected Rating

G1 AU3FN0092144

LT

NR(EXP)sf

Expected Rating

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VIEW ADDITIONAL RATING DETAILS

Transaction Summary

The total collateral pool at the 31 August 2024 cut-off date was AUD500 million and consisted of 16,288 receivables with weighted-average (WA) seasoning of 14 months, WA remaining maturity of 61 months and an average contract balance of AUD30,699.

KEY RATING DRIVERS

Stress Commensurate with Ratings: Fitch derived default base-case expectations for borrowers with Equifax scores of 600-799 and 800+. Our default assumptions (and 'AAAsf' default multiples) are 2.25% (6.50x) and 8.25% (4.75x), respectively, for each sub-pool, with a WA of 4.7% (5.2x). The recovery base case is 30.0%, with a 'AAAsf' recovery haircut of 55.0%, for both sub-pools.

Portfolio performance is supported by Australia's continued economic growth and tight labour market, despite rapid interest rate hikes in 2022-2023. GDP growth was 1.0% for the year ended June 2024 and unemployment was 4.2% in August 2024. We forecast GDP growth of 1.1% for the full year, rising to 1.7% in 2025, with unemployment at 4.1%, increasing to 4.5% next year. This reflects our expectation that the restrictive monetary policy and persistent inflation will continue to hinder domestic demand.

Excess Spread Limited by Commission Note Repayment: The transaction includes a commission note to fund the purchase-price component related to the unamortised commission paid to introducers for the origination of the receivables. The note will not be collateralised, and will amortise in line with an amortisation schedule. Its repayment limits the availability of excess spread to cover losses, as it ranks senior in the interest waterfall, above the class A2 to F notes.

Structural Risks Addressed: Counterparty risk is mitigated by documented structural mechanisms that ensure remedial action takes place should the ratings of the transaction account bank or liquidity facility provider fall below a certain level. The class A1 to F notes will receive principal repayments pro rata upon satisfaction of the step-down conditions. The percentage of credit enhancement provided by the G1 and G2 notes will increase as the A1 to F notes amortise.

Fitch's cash flow analysis incorporates the transaction's structural features and tests the robustness of each note by stressing default and recovery rates, prepayments, interest-rate movements and default timing. All notes have passed their relevant rating stresses.

Low Operational and Servicing Risk: All receivables were originated by ***MoneyMe***, which demonstrated adequate capability as originator, underwriter and servicer. Servicer disruption risk is mitigated by standby servicing arrangements. The nominated standby servicer is Perpetual Corporate Trust Limited. We undertook an operational review and found that the operations of the originator and servicer were comparable with those of other auto lenders.

No Residual Value Risk: There is no residual value exposure in this transaction. However, 16.3% of the portfolio by loan value has balloon amounts payable at maturity.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Transaction performance may be affected by changes in market conditions and the economic environment. Weakening asset performance is strongly correlated with increasing levels of delinquencies and defaults that could reduce credit enhancement available to the notes.

Downgrade Sensitivities

Unanticipated increases in the frequency of defaults and decreases in recoveries on defaulted receivables could produce loss levels higher than Fitch's base case, and are likely to result in a decline in credit enhancement and remaining loss-coverage levels available to the notes. Decreased credit enhancement may make certain note ratings susceptible to negative rating action, depending on the extent of the coverage decline. Hence, Fitch conducts sensitivity analysis by stressing a transaction's initial base-case assumptions; these include increasing WA defaults and decreasing the WA recovery rate.

The rating sensitivity section provides insight into the model-implied sensitivities the transaction faces when assumptions - defaults or recoveries - are modified, while holding others equal. The modelling process uses the modification of default and loss assumptions to reflect asset performance in up and down environments. The results should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors.

Notes: Commission / A1 / A2 / B / C / D / E / F

Expected Rating: AAAsf / AAAsf / AAAsf / AAsf / Asf / BBBsf / BBsf / Bsf

10% defaults increase: AAAsf / AAAsf / AA+sf / A+sf / BBB+sf / BBB-sf / B+sf / less than Bsf

25% defaults increase: AAAsf / AA+sf / AAsf / Asf / BBBsf / BB+sf / Bsf / less than Bsf

50% defaults increase: AAAsf / AAsf / A+sf / BBB+sf / BBB-sf / BBsf / less than Bsf / less than Bsf

10% recoveries decrease: AAAsf / AAAsf / AA+sf / AA-sf / A-sf / BBB-sf / BB-sf / Bsf

25% recoveries decrease: AAAsf / AAAsf / AA+sf / A+sf / A-sf / BBB-sf / B+sf / Bsf

50% recoveries decrease: AAAsf / AAAsf / AA+sf / A+sf / BBB+sf / BBB-sf / B+sf / less than Bsf

10% defaults increase / 10% recoveries decrease: AAAsf / AAAsf / AA+sf / A+sf / BBB+sf / BBB-sf / B+sf / less than Bsf

25% defaults increase / 25% recoveries decrease: AAAsf / AA+sf / AA-sf / Asf / BBBsf / BBsf / less than Bsf / less than Bsf

50% defaults increase / 50% recoveries decrease: AAAsf / AA-sf / Asf / BBBsf / BB+sf / B+sf / less than Bsf / less than Bsf

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Economic conditions, loan performance and credit losses that are better than Fitch's baseline scenario or sufficient build-up of credit enhancement that would fully compensate for credit losses and cash flow stresses commensurate with higher rating scenarios, all else being equal.

Upgrade Sensitivities

The commission, class A1 and class A2 notes are at the highest level on Fitch's scale and cannot be upgraded.

Notes: B / C / D / E / F

Expected Rating: AAsf / Asf / BBBsf / BBsf / Bsf

10% defaults decrease / 10% recoveries increase: AAsf / Asf / BBBsf / BBsf / BB-sf

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Prior to the transaction closing, Fitch reviewed a small targeted sample of ***MoneyMe***'s origination files and found the file information to be adequately consistent with the originator's policies and practices and the other information provided to the agency about the asset portfolio. Prior to the transaction closing, Fitch sought to receive a third-party assessment of the asset portfolio information, but none was made available to Fitch.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis, according to its applicable rating methodologies, indicates that it is adequately reliable.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

The issuer has informed Fitch that not all relevant underlying information used in the analysis of the rated notes is public.

REPRESENTATIONS, WARRANTIES AND ENFORCEMENT MECHANISMS

A description of the transaction's representations, warranties and enforcement mechanisms (RWEs) that are disclosed in the offering document and which relate to the underlying asset pool is available by clicking the link to the Appendix. The appendix also contains a comparison of these RWEs to those Fitch considers typical for the asset class as detailed in the Special Report titled 'Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions'.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit *https://www.fitchratings.com/topics/esg/products#esg-relevance-scores*.

Additional information is available on *www.fitchratings.com*

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