



(/en_US/web/guest/home) Private Driver España 2020-1 Spanish Auto ABS Notes Assigned Rating

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	Class	Rating*	Ratings Assigned Amount (% discounted principal balance of the pool)
Notes		AA (sf)	92.4
Subordinated loan		NR	4.1

*Our rating addresses timely payment of interest and ultimate payment of principal on the notes. NR--Not rated.

Overview

We have assigned our 'AA (sf)' rating to Private Driver España 2020-1's notes.

Our rating addresses timely payment of interest and ultimate payment of principal on the notes.

The transaction securitizes auto loan receivables that VW Bank Spain granted to its retail and small-commercial customer base across Spain.

MADRID (S&P Global Ratings) Nov. 30, 2020-- S&P Global Ratings has assigned its credit rating to Private Driver España 2020-1, Fondo de Titulizacion's (PDE 2020-1) asset-backed fixed-rate notes. At closing, PDE 2020-1 will also issue an unrated subordinated loan.

Volkswagen Group is one of the most active issuers in European auto securitization, using its DRIVER platform for auto loans and VCL platform for auto leases. Our rating on the notes reflects our assessment of Volkswagen Bank GmbH, Spain Branch's (VW Bank Spain) good origination policies and servicing capabilities. There is no back-up servicer in place.

The underlying collateral comprises auto loan receivables that VW Bank Spain granted to its retail and small-commercial customer base across Spain. While some of the loans in the pool have a balloon component, balloon installments are not securitized. Only amortization payments are eligible. Hence the transaction is not exposed to residual value risk, in our opinion.

The transaction has a three-year revolving period. We have considered the transaction to have lower overcollateralization on day one given that the asset-liability test, which ensures a minimum level of credit enhancement available for the notes during the revolving period, is only in place from the sixth payment date after closing. We have also considered the gross loss ratios and overcollateralization triggers in our analysis.

The assets pay a monthly fixed interest rate, and the rated notes pay a fixed coupon, both denominated in euro. Therefore, there is no interest or foreign exchange rate risk in this transaction.

The loan receivables are purchased above par since the applicable discount rate is significantly lower than the weighted-average portfolio's contractual interest rate. The fixed discount rate is set to absorb the senior fees and expenses, fixed rate payable on the notes, and interest on the subordinated loan plus a 2% buffer.

VW Bank Spain transferred credit rights to PDE 2020-1. The customer buys the car from a dealer of the Volkswagen network and owns the car. VW Bank Spain grants them a loan to finance the car and pays the purchase price directly to the dealer. This contract replicates a rent contract mechanism, although VW Bank Spain does not own the financed vehicle. The contract is regulated by the Spanish rent-purchase law, so that the financial entity can obtain a retention of the car's title (known as "Reserva de Dominio"). This charge on the asset must be recorded in a national and public register to be binding with respect to third parties and future transfers of the asset. The registration involves a cost that will be borne by the issuer.

A fully funded cash reserve for the rated notes is in place, sized at 0.75% of the receivables' discounted balance and amortizing subject to a floor (€6 million). The cash reserve is primarily available to cover interest shortfalls for the notes but also to absorb losses at the end of the transaction's life. A combination of subordination, overcollateralization, and a cash reserve provide credit enhancement to the notes.

Our rating in this transaction is not constrained by our operational risk or structured finance sovereign risk criteria. However, the counterparty risk related to the issuer bank account provider constrains our rating at 'AA', given the replacement language.

There is a cash advance mechanism affecting the transfer of cash collections from the servicer to the issuer account, which fully mitigates commingling risk.

The issuer is a Spanish special-purpose entity, which we consider to be bankruptcy remote. The legal opinion at closing provided assurance that the sale of the assets would survive the seller's insolvency.

S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic. Reports that at least one experimental vaccine is highly effective and might gain initial approval by the end of the year are promising, but this is merely the first step toward a return to social and economic normality; equally critical is the widespread availability of effective immunization, which could come by the middle of next year. We use this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Related Criteria

Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/10861340), March 8, 2019

Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/10836964), Jan. 30, 2019

Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology (/en_US/web/guest/article/-/view/sourceld/9733017), March 29, 2017

Criteria | Structured Finance | ABS: Methodology And Assumptions For European Auto ABS (/en_US/web/guest/article/-/view/sourceld/9285913), Oct. 15, 2015

Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD (/en_US/web/guest/article/-/view/sourceld/9049216), March 2, 2015

Criteria | Structured Finance | General: Global Framework For Cash Flow Analysis Of Structured Finance Securities (/en_US/web/guest/article/-/view/sourceld/8759141), Oct. 9, 2014

Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions (/en_US/web/guest/article/-/view/sourceld/8737366), Oct. 9, 2014

Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables (/en_US/web/guest/article/-/view/sourceld/8724181), Oct. 9, 2014

General Criteria: Methodology Applied To Bank Branch-Supported Transactions (/en_US/web/guest/article/-/view/sourceld/8130806), Oct. 14, 2013

Criteria | Structured Finance | General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications (/en_US/web/guest/article/-/view/sourceld/7430465), July 12, 2012

General Criteria: Principles Of Credit Ratings (/en_US/web/guest/article/-/view/sourceld/6485398), Feb. 16, 2011

Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment (/en_US/web/guest/article/-/view/sourceld/5428209), May 28, 2009

Related Research

European Economic Snapshots: A Second COVID-19 Wave Is Dampening The Recovery (/en_US/web/guest/article/-/view/sourceld/100046778), Oct. 14, 2020

Credit Conditions Europe: Ill-Prepared For Winter (/en_US/web/guest/article/-/view/sourceld/11672453), Sept. 29, 2020

European Auto ABS Index Report Q2 2020 (/en_US/web/guest/article/-/view/sourceld/11617833), Sept. 8, 2020

Banking Industry Risk Assessment: Spain (/en_US/web/guest/article/-/view/sourceld/11523497), June 18, 2020

New Issue: DRIVER ESPANA SIX, FONDO DE TITULIZACION (/en_US/web/guest/article/-/view/sourceld/11355543), Feb. 28, 2020

2017 EMEA ABS Scenario And Sensitivity Analysis (/en_US/web/guest/article/-/view/sourceld/10155261), July 6, 2017

European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en_US/web/guest/article/-/view/sourceld/9914948), Dec. 16, 2016

Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en_US/web/guest/article/-/view/sourceld/9913417), Dec. 16, 2016

How We Rate And Monitor EMEA Structured Finance Transactions (/en_US/web/guest/article/-/view/sourceld/9530328), March 24, 2016

Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance (/en_US/web/guest/article/-/view/sourceld/5392986), May 12, 2009

Regulatory Disclosures For Each Credit Rating Including Ratings List Table

(/en_US/web/guest/article/-/view/sourceld/100047721?pu=true)

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Materials Used In The Credit Rating Process

Criteria Applied

Models Applied, Loss, And Cash Flow Analysis Performed

Scenario Analysis

Sensitivity Analysis

Risk Warning, Understanding Credit Rating Categorizations, And Criteria

Rated Entity Notification

Ancillary And Additional Services

Attributes And Limitations Of The Credit Rating

Information Specific To Structured Finance And Securitization Instruments

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