Foreword

When Alexander Hener started to work on this thesis three years ago, he may not have anticipated today's relevance of his research. The importance is for example reflected in the first asset-backed securities of underlying German auto finance contracts in November 2004, which has been structured by Volkswagen Financial Services. As result of the True-Sale Initiative fostered by the Kreditanstalt für Wiederaufbau more such transactions can be expected in the future. In this context Mr. Hener analyzes an intuitive question with relevance not only for German captives: which particular contracts from a pool of finance or lease contracts should be securitized in an ABS transaction?

The author first analyzes the reasons why portfolios in particular of automotive captives tend to be inefficiently priced. He sets out in detail different interest groups and potential conflicts in auto finance and lease, and suggests securitization as an integrative solution. Taking the issuer's point of view a framework is developed which suggests a decision for each contract as to whether it is to be assigned to an ABS transaction. Among other the framework models regulatory capital arbitrage, return on equity and return on risk-adjusted capital optimization.

For such an approach the underlying risks, in particular credit risk, must be modeled. With this purpose in mind the feasibility of various credit risk models in the industry context is extensively examined. Both the credit risk model and the securitization framework are then implemented and parameterized. The empirical study employs the subportfolio of a German captive and indicates that the suggested approach is feasible in practice. It can also be scaled to larger portfolios.

The research will be of value to both academia and practitioners with interest in securitization transactions of lease and finance contracts. From an academic point of view the author offers a significant and well-founded contribution to the issue of structuring ABS transactions. In addition to that, the suggestion of an applicable credit risk model should be of interest for practitioners involved with quantitative credit risk management. Of special interest in particular to the automotive industry is the analysis of how conflicts of interest between industrial companies and their captives can be handled.

For the reasons set out I am of the opinion that the approach developed herein integrates relevant theoretical and practical issues. I hope that this book will be accessed by a large and interested audience and initiate future research on applied issues of structuring ABS.

Prof. Dr. Johannes Schneider