

SFA Research Corner

Industry Captains Navigate Crosscurrents to Chart ABS's Next Moves

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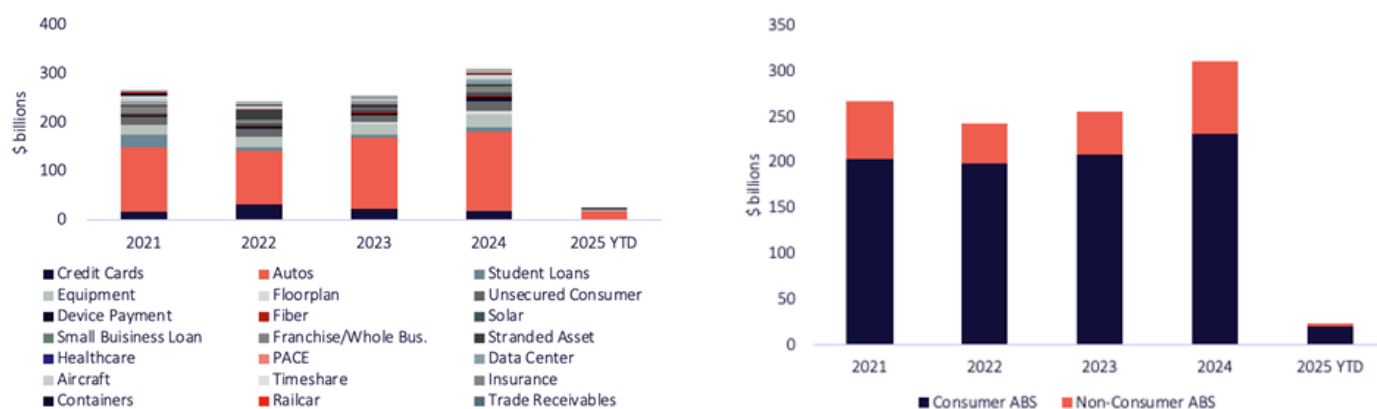
The asset-backed securities (ABS) market enters 2025 on the heels of a record-breaking \$311 billion in new issuance in 2024, with corporate and commercial receivables accounting for 25% of the total. As of year-end 2024, this sector had over \$720 billion outstanding according to [J.P. Morgan ABS Research](#).

In consumer ABS, auto-related ABS is the largest, with \$283 billion in outstanding volume, followed by student loan ABS with \$111 billion. Among non-consumer ABS, the largest sectors by outstanding volume include equipment ABS (\$42 billion), franchise/whole business ABS (\$36 billion), aircraft ABS (\$22 billion), and container ABS (\$10 billion).

As economic conditions shift and refinancing needs grow, market participants are evaluating whether this momentum will continue and how various ABS sectors will be impacted by higher-for-longer interest rates, rising fixed costs, and evolving borrower behavior.

These themes, along with other key drivers such as investor demand and the impact of regulatory developments, will take center stage at **SFVegas's Research Roundtable on February 25 at 3:10 PM PST**, where industry leaders Amy Sze (JP Morgan Chase), James Egan (Morgan Stanley), Kayvan Darouian (Deutsche Bank), Vadim Verkhoglyad (dv01), and Dmitri Rabin (Jennison) will discuss the opportunities and risks shaping ABS markets in 2025.

ABS Issuance by Asset Class



Source: J.P. Morgan ABS Research

To frame the discussion, we examine some key trends from 2024.

Consumer ABS: A Market in Transition

Household finances continue to be squeezed by inflation, rising insurance costs, and elevated borrowing rates, yet the impact has varied widely across income and credit segments:

- Subprime borrowers under stress: Higher borrowing costs have driven up delinquencies in subprime auto and credit card ABS, as record-high auto and home insurance premiums further strain disposable income.
- Prime borrowers remain stable—for now: Prime consumer ABS continues to perform well, but the resumption of student loan repayments could pressure discretionary spending and credit performance in the months ahead.
- Increased reliance on credit: The latest [Federal Reserve G.19 Consumer Credit](#) report (February 7, 2025) highlights shifting consumer behavior. In December 2024, total consumer credit surged by \$40.8 billion, marking the largest percentage increase since June 2022. This was driven by a 20.2% annualized rise in revolving credit (mostly credit cards)—reversing a 12.1% decline in November—while non-revolving credit (auto and student loans) grew by 5.8%. This has occurred as banks tightened lending standards on credit card lending in Q4, as reflected by the January [Federal Reserve Senior Loan Officer Opinion Survey](#).

A New Dynamic: Rising Costs Are Impacting Even High-Income Borrowers

Historically, higher-income borrowers (\$150K+) have been viewed as resilient to financial stress, but new data from VantageScore's CreditGauge™ challenges this assumption. As discussed in SFA's [Research Corner](#), delinquency rates for this group have more than doubled since January 2023, with rising fixed costs—particularly home and auto insurance—driving financial strain.

This raises critical questions: Will persistently high costs push more borrowers—both high- and low-income—into financial distress? How much more room do higher-income borrowers have to adjust their spending before strain begins to materialize in prime ABS? Will this result in a change in payment prioritization impacting a broader range of asset classes?

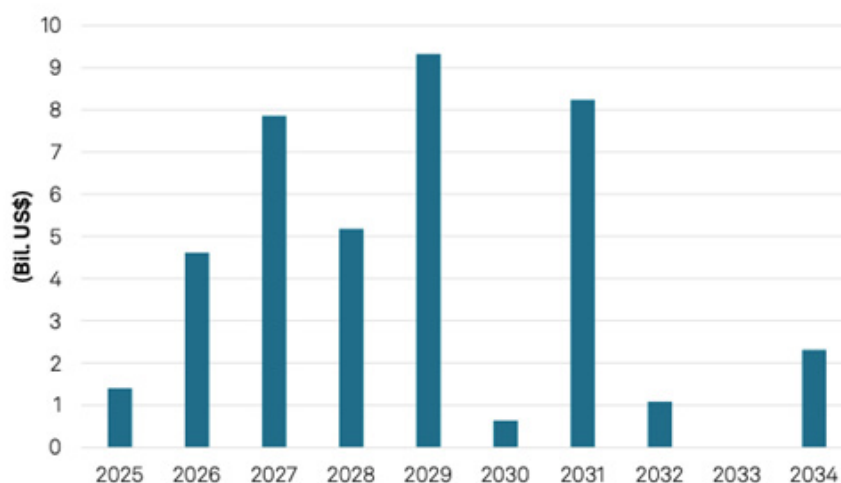
Sector-Specific Trends in Non-Consumer ABS

As the consumer ABS market grapples with a widening divide between prime and subprime borrowers—and between high- and low-income borrowers—the non-consumer ABS sector is navigating a more sector-driven landscape, shaped by capital costs, industry-specific trends, and refinancing pressures. The past year saw winners and emerging risks, underscoring the complexity of the current market environment. Below are some sector-specific trends from 2024.

- Fleet leasing ABS remained resilient, bolstered by steady corporate demand and stable utilization rates.
- Equipment and data center ABS saw strong issuance, as businesses sought financing for AI-driven infrastructure and automation investments.
- Small-business ABS faced increasing strain, with rising delinquencies driven by inflation, higher operating costs, and more expensive borrowing conditions.
- Franchise ABS delivered mixed results, as quick-service restaurant operators navigated higher labor costs and shifting consumer spending patterns.
- Aircraft ABS continued its post-pandemic recovery, supported by strong growth in global air travel and improving airline profitability.

A key uncertainty looming over corporate ABS in 2025 is whether anticipated repayment dates will spark a wave of refinancing—or expose vulnerabilities among highly leveraged borrowers struggling to secure low-cost funding. With interest rates expected to remain elevated and the Fed showing no urgency to lower them, issuers may face heightened refinancing risk. This raises a critical question: Will strong demand and stable capital markets support refinancing, or will prolonged higher borrowing costs push weaker issuers into financial distress?

Corporate Securitizations: Anticipated Repayment Dates by balance



Source: S&P Global Ratings, 2025 U.S. and Canada Structured Finance Outlook

While certain sectors have demonstrated stability and growth, highly leveraged companies and those with unstable cash flows in emerging industries continue to struggle under rising costs and shifting economic conditions. Structured finance has been instrumental in providing liquidity to meet capital demand, yet questions remain about how these trends will evolve in 2025 and beyond. Will new opportunities emerge as a result of government policy shifts and sectoral refocusing? The intersection of growth industries and securitization presents both opportunities and challenges, with structured finance playing a critical role in investment access, liquidity solutions, and risk transfer mechanisms as innovation reshapes capital markets.

As 2025 unfolds, the structured finance market will be shaped by credit performance, shifting investor sentiment, and refinancing challenges across both consumer and non-consumer ABS. Understanding how these forces interact will be essential for navigating risks and capitalizing on opportunities in the year ahead. Don't miss this critical [discussion](#) at SFVegas. See you in Vegas!