The Favorable Economy Is Benefitting U.S. Finance Companies, But Regulatory Changes And Competition Are Affecting Certain Segments

July 23, 2018

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S&P Global Ratings expects that finance companies in the U.S. will continue to benefit from a solid economy and favorable financing conditions for the remainder of 2018. Our economists are forecasting GDP growth of 3.0% in 2018, with the odds of a recession in the next 12 months at only 10%-15%, though heightened trade tensions are pushing those odds closer to the top of that range. The unemployment rate remains low and wages are rising, which should boost credit performance for consumer finance companies in particular. Overall, conditions for borrowers in North America remain broadly favorable, as the U.S. economic expansion continues, interest rates are increasing at a measured pace, and upcoming maturities appear manageable. S&P Global Fixed Income Research expects the U.S. speculative-grade corporate default rate to fall to 2.5% by March 2019 from 3.4% in March of this year, which bodes well for commercial finance companies. We don't expect to make broad-based rating changes to these firms for the rest of the year.

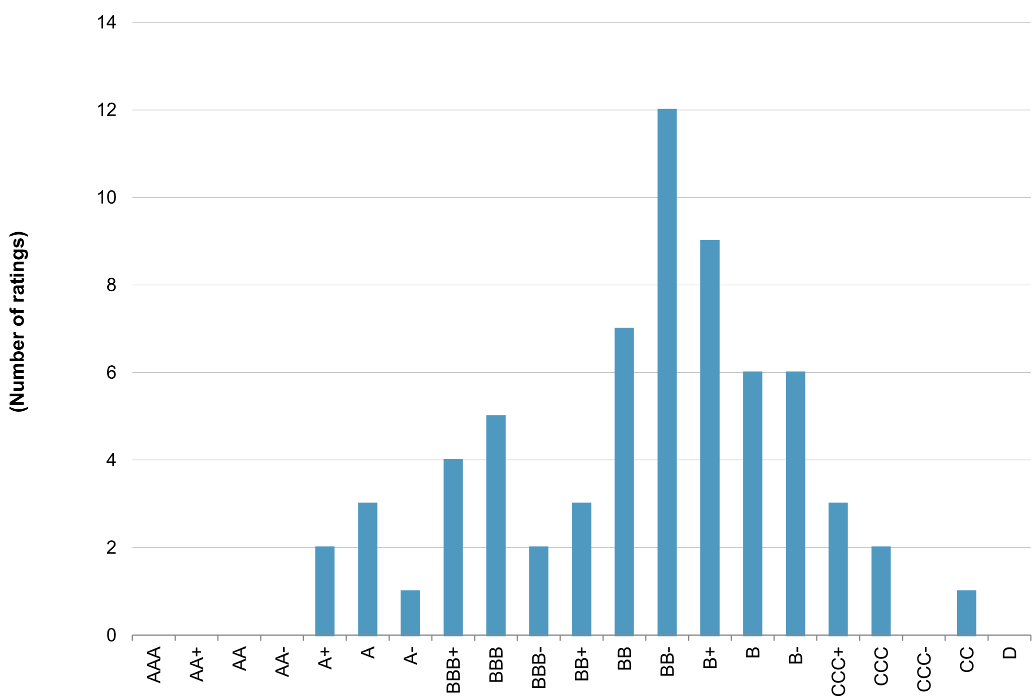
Overview

- We expect that finance companies will continue to benefit from a solid economy and favorable financing conditions for the remainder of 2018.
- The effects of competition on loan quality, rising leverage, and rising interest rates could deepen losses when these favorable conditions eventually turn.
- We have stable outlooks on the majority of finance companies, though we have negative outlooks on several small-dollar lenders as well as residential mortgage originators and servicers.

Our economists expect another two interest rate hikes this year (for a total of four) and three next year, bringing the federal funds target rate to 2.25%-2.50% by year-end 2018 and 3.00%-3.25% by year-end 2019. Our economists expect the 10-year yield to reach 3.2% by year end and 3.3% next year. These relatively low levels--coupled with a continuation of favorable financing conditions--should generally allow U.S. finance companies to manage their funding needs for the remainder of 2018 and 2019, in our view. We expect rising rates will improve net interest margins for those finance companies with floating-rate assets that have some fixed-rate funding. However, rising interest rates can eventually lead to an increase in defaults for weaker borrowers and potentially higher credit losses for some of the finance companies that we rate, though we do not expect a material impact at this time, because corporate borrowers have pushed-out maturities, and financing conditions are favorable. When the credit cycle does reach a turning point, the combination of high leverage, rising interest rates, less-favorable financing conditions, and potentially wider credit spreads could compound losses.

Chart 1

Finance Company And Financial Services Finance Company Rating Distribution

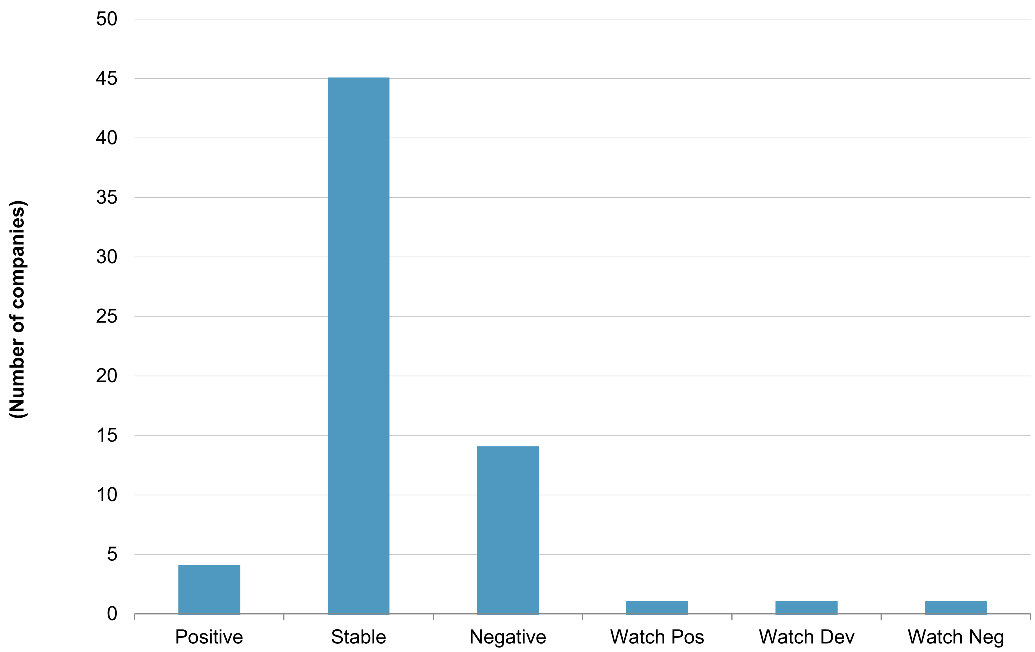


Ratings are as of July 15, 2018.

Against this backdrop, we have a stable outlook on 45 (68%) of the nonbank finance companies we rate. We have positive outlooks on four (6%) companies and one rating on CreditWatch positive; there are negative outlooks on 14 (21%) companies and one rating on CreditWatch negative. The greater number of negative outlooks reflects challenges faced by small-dollar lenders and residential mortgage originators and servicers. Five of the negative outlooks are on companies that make small-dollar loans--such as payday, auto title, or small-dollar installment loans--which are subject to the Consumer Financial Protection Bureau (CFPB) rules to end payday debt traps. Four of the negative outlooks are on residential mortgage originators that are experiencing lower refinance activity or servicers who are struggling with regulation, operating costs, and sector consolidation.

Chart 2

Finance Company And Financial Services Finance Company Outlook/CreditWatch Distribution



Ratings are as of July 15, 2018.

Regulation From The Top Down: Federal Regulators Set The Tone, But States Show An Appetite To Chart Their Own Way

In May, President Trump signed legislation that eased some regulations on small and regional banks. Most notably, it lifted the asset threshold for banks subject to enhanced supervision to $250 billion from $50 billion and allowed banks with less than $10 billion to avoid Basel financial requirements if they hold a certain amount of tangible capital. Also, the bill exempts some residential loan originators, including small lenders, from certain disclosure requirements under the Home Mortgage Disclosure Act (HDMA).

We believe the easing of banking regulation could have negative effects for the nonbank lenders--at least at the margin. Just like for mortgage originators, other nonbank lenders have thrived as bank regulators clamped down over the past 10 years. With some regulations easing, smaller and regional banks could ramp up lending activities to a broader spectrum of consumers, which we think could put further competitive pressure on some finance companies.

We also continue to focus on developments at the CFPB. Under Director Mick Mulvaney, we expect fewer enforcement actions arising from field examinations than under Director Cordray. We believe the CFPB will engage in more dialogue and compromises than before. In January, the D.C. Circuit Court of Appeals ruled that the CFPB is constitutional but deemed void a more than $100 million fine against PHH Corp. We believe that the agency likely won't appeal the decision now that interim-director Mulvaney is in charge. However, as the CFPB pulls back on enforcement actions, we have seen state Attorneys General step up.

Residential mortgage could see increased regulation. In June, Ginnie Mae announced that it is restricting Freedom Mortgage Corp. from including Veteran Administration (VA) loans in multi-issuer securities from July to December. The restriction is the result of exceedingly high prepayment activity relative to peers. This action follows the $113 million settlement with the Housing and Urban Development Office of the Inspector General back in 2016.

We continue to monitor regulatory actions that remain unresolved against OCWEN Financial Corp. While OCWEN continues to proceed with the acquisition of PHH Corp., the CFPB and attorneys general of Florida and Massachusetts have identified issues with OCWEN's servicing operations that are ongoing. In addition, the New York Department of Financial Services has taken action to limit the ability of Ocwen Loan Servicing to acquire mortgage-servicing rights (MSRs).

We are also continuing to monitor the case brought by the Department of Justice (DOJ) against Quicken Loans Inc. In 2015, the DOJ filed a lawsuit under the False Claims Act, alleging that Quicken Loans approved mortgages backed by the Federal Housing Administration (FHA) that failed to meet federal guidelines. In January, Dan Gilbert, Founder and Chairman of Quicken, vowed not to settle the DOJ mortgage lawsuit. The trial will not begin until mid-2019 at the earliest. Quicken Loans and other nonbank mortgage companies have thrived over the last few years as banks scaled back their mortgage origination footprint. Thus, if Quicken were to win its case, or if the DOJ lightened its stance (or if the FHA creates some sort of safe-harbor provision for minor mistakes), banks could re-enter the market--to the chagrin of nonbank mortgage originators.

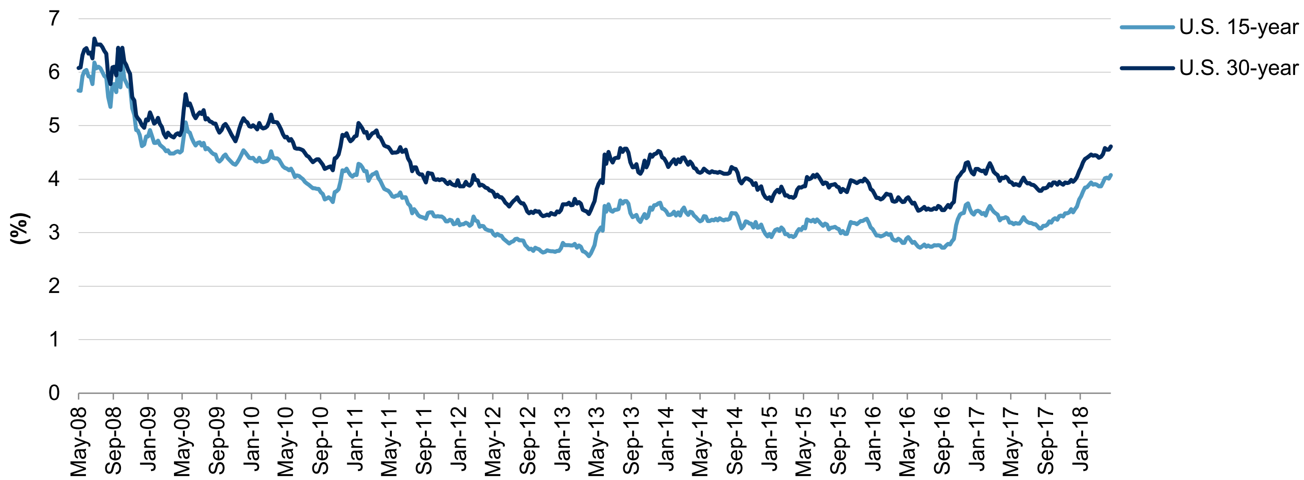
At this point, our ratings do not contemplate any change or repeal of rules promulgated by the CFPB during Cordray's tenure, though we believe such rules could relax over time. In June, acting interim director Mick Mulvaney selected fellow Office and Management and Budget colleague Kathy Kraninger to succeed him. Despite the nomination, many media outlets reported that Washington, D.C., officials believe she was selected because she has little chance of being confirmed by the Senate, thereby allowing Mr. Mulvaney to remain in place.

Residential Mortgages: Refinancing Had A Tough Origination Year As The Servicing Industry Consolidates

The Mortgage Bankers Association (MBA) expects total origination volume to decline to $1.61 trillion in 2018 (27% refinance/63% purchase) from a forecast of $1.71 trillion in 2017 (35% refinance) and $2.05 trillion in 2016 (49% refinance), based on its forecast for the 30-year rate to rise to 4.9% in 2018 and 5.3% in 2019. S&P Global economists also expect rates to rise, but not as much as the MBA, with the 30-year rate hitting 4.4% in 2018 and 4.9% in 2019.

Chart 3

U.S. Mortgage Rates

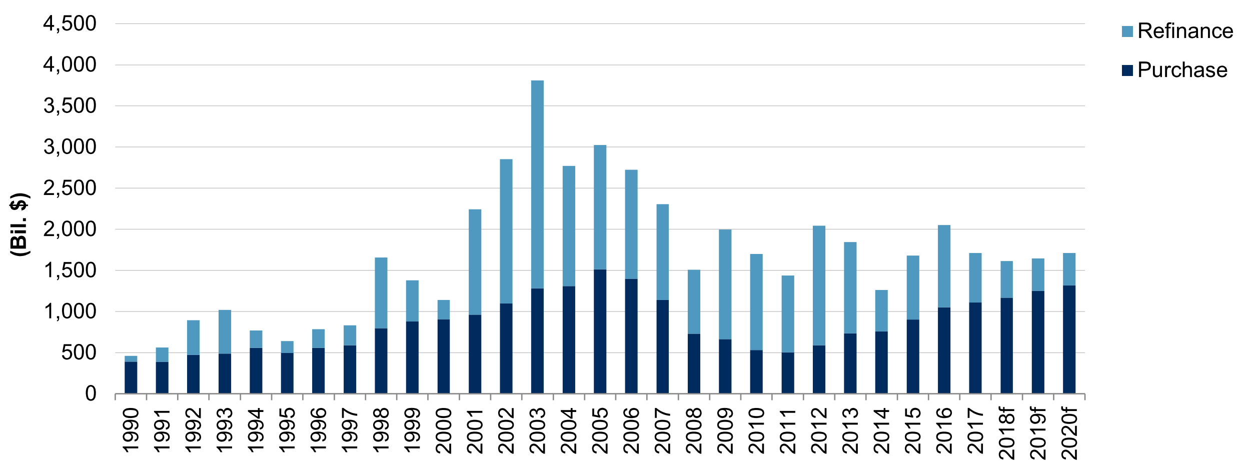


Source: Federal Reserve economic data.

As the 30-year mortgage rate continues to climb, we expect refinance volume to decline by 54% from 2016 levels. As a result, we expect issuers that have more refinance volume than the industry average to see a decrease in originations. However, this should be somewhat offset by stronger purchase volume, as indicated by some banks that have already reported their mortgage earnings. The MBA expects refinance volume to stabilize in 2019, with the 30-year rate levelling off at 5.3% in 2019 and 2020.

Chart 4

Mortgage Originations



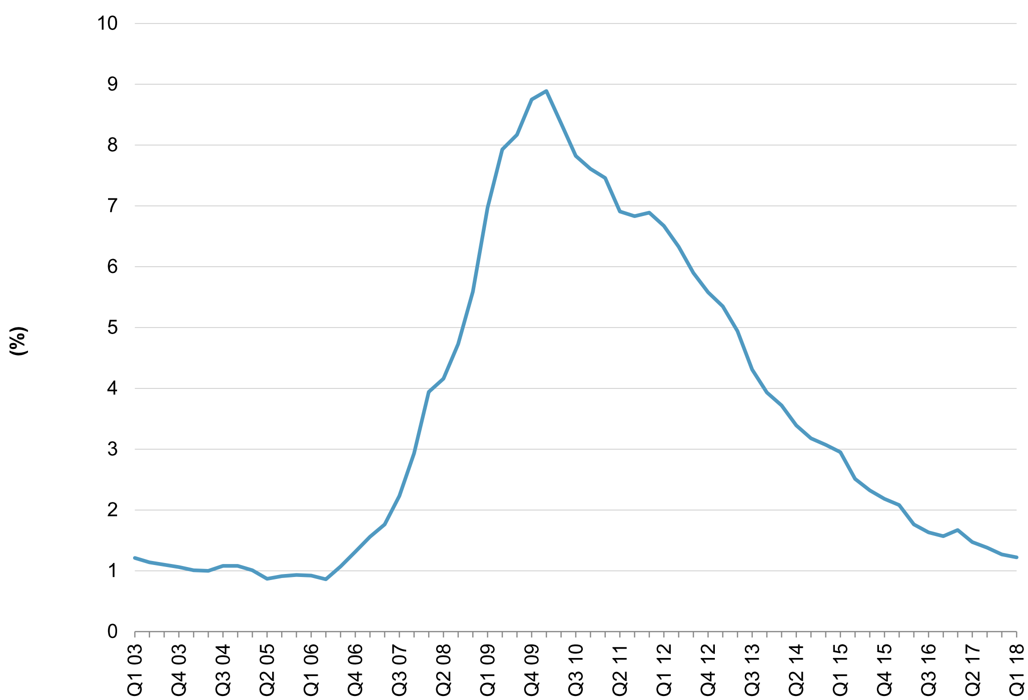
f--Forecast. Source: Mortgage Bankers Assn.

At the same time, higher interest rates have led to higher valuations for MSRs for all of the companies we rate (see "Late-Cycle Trends In Mortgage Servicing: Consolidation, Valuation, And Leverage,"June 18, 2018). We expect these trends to result in not only improved profits for servicers and weaker profits for originators but also an increase in industry consolidation. Larger servicers and originators are likely to look for economies of scale, and smaller players might look to sell while under pressure. Last month, Ditech Holding Corp. (formerly Walter Investment Management) announced that it is seeking strategic alternatives, which we believe could mean a stock or asset sale. The company emerged from bankruptcy in January. Earlier this year, OCWEN acquired PHH in a deal that will take OCWEN to approximately $320 billion in total servicing. In February, Nationstar Mortgage LLC agreed to merge with WMIH Corp. for $3.8 billion, which we expect to close in the second half of 2018. Also in February, Stearns Holdings LLC sold $225 million of MSRs with a total unpaid principal balance (UPB) of $22.2 billion to Freedom Mortgage Corp. We expect Stearns to maintain only a minor MSR portfolio. Stearns used a portion of the proceeds to tender and retire $60 million of its senior secured notes.

We believe originators could stretch their underwriting standards in an attempt to bolster origination volumes--a practice that could lead to higher mortgage delinquencies down the road. Higher delinquency expectations could offset gains in MSR valuations from higher rates, especially if servicers are pricing MSR purchases under the assumption that delinquencies will remain at current levels. Higher delinquencies will lower MSR valuations because they can decrease the expected life of the loan, are more expensive to service, and incur increased carrying costs from advances that servicers have to provide to the loanholder. Rising delinquency could also pose some capacity issues for an industry that is in consolidation. Many servicers have focused on low-delinquency loans, selling MSRs for loans that have become delinquent to maintain low delinquency rates. This may become more difficult if mortgage delinquencies rise from a 90+ delinquency rate of 1.4% as of the first quarter of 2018 to a level closer to the recession peak of 8.9%.

Chart 5

Mortgage Delinquencies (90+ Day Delinquency Rate)



Source: Federal Reserve Bank of New York.

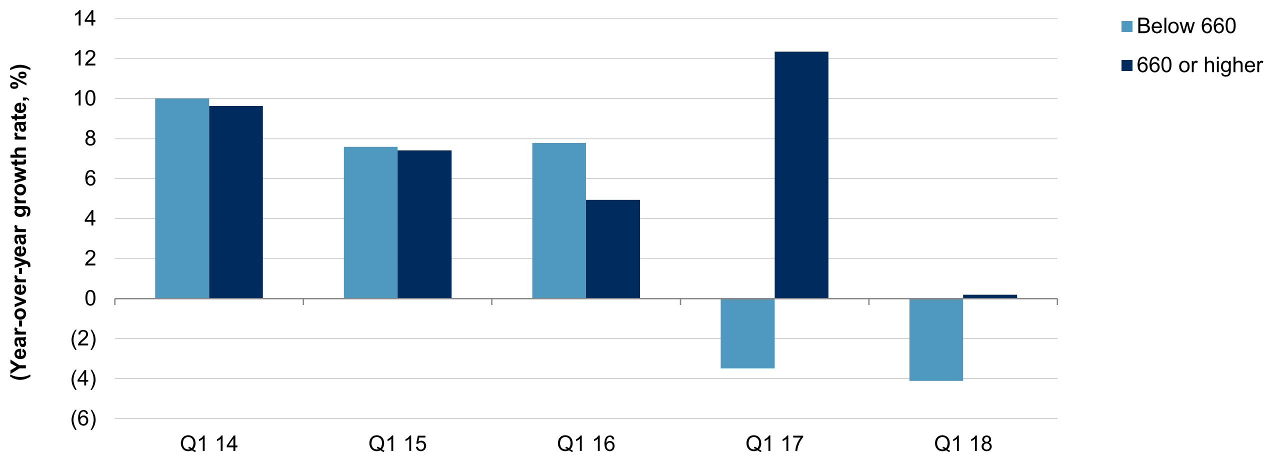
We expect that rising MSR values should give mortgage servicers much more financial flexibility. This should result in servicers using that flexibility to acquire assets or make servicers more attractive acquisition targets. While this may create opportunities for companies to strengthen, by adding capabilities through acquisition or by adding scale through the purchase of MSRs, it also creates the possibility that companies will overpay for assets while adding leverage late in the economic cycle. Debt-funded acquisitions can lead to downgrades, as could operational issues from integration. Over the next year, we expect loan-to-value ratios for MSR-secured financing to improve if mortgage rates stay elevated. On the other hand, any gains in MSR valuations may be short lived if mortgage delinquency rates become higher.

Vehicle Finance: Delinquencies Head Higher Despite Credit Tightening

Auto loans have been the fastest-growing consumer segment since the end of 2010, increasing at an 8.1% annual rate over that period. Total consumer auto loan debt increased by $518 billion, compared with growth of $1.5 trillion across all consumer debt, according to the Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit from May 2018. Growth in originations peaked in 2015, at a time when we believe competition was particularly intense, leading to relaxed underwriting standards. Over the past two years, however, lenders have pulled back on subprime originations as credit conditions worsened despite lower unemployment.

Chart 6

Auto Loan Origination Volume By FICO Score



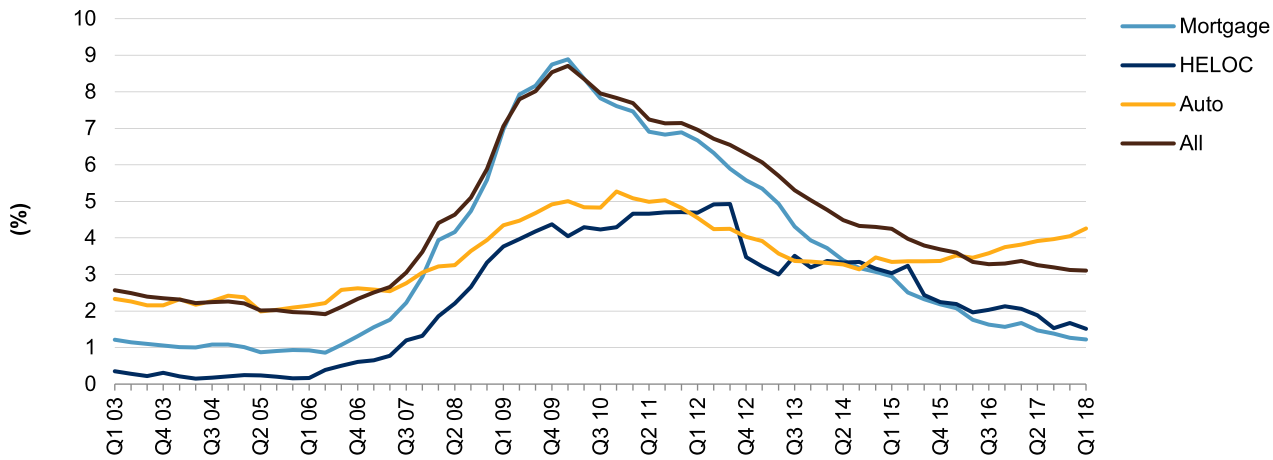
Source: Federal Reserve Bank of New York.

We see the greatest risks in leases and nonprime, particularly deep subprime. We believe previous loosening of credit standards, lower residual values, and rising interest rates are posing challenges for vehicle finance companies. Longer loan terms and weaker used-vehicle prices widen the gap between the outstanding loan amount and the vehicle value, thereby increasing loss severities. Overall, our current ratings anticipate that earnings will soften as losses for auto lenders rise but not so much as to erode lenders' capital positions. Positively, we believe that underwriting standards are tightening, particularly for subprime loans, as lenders adjust their risk appetites in the face of increasing delinquencies and defaults and decreasing recoveries.

Auto loan delinquencies of more than 90 days increased 44 basis points in the first quarter of 2018 compared with the same period in 2017 (see Chart 7). On the other hand, the 90-plus-day delinquency rates declined across every other consumer segment other than credit cards. With 4.26% of loans 90+ day delinquent, auto loans are at their highest delinquency rate since the first quarter of 2009, when economic conditions were much worse. If economic conditions were to worsen in the near future, auto delinquencies are likely to spike significantly higher than the peak during the last recession, which was led by subprime.

Chart 7

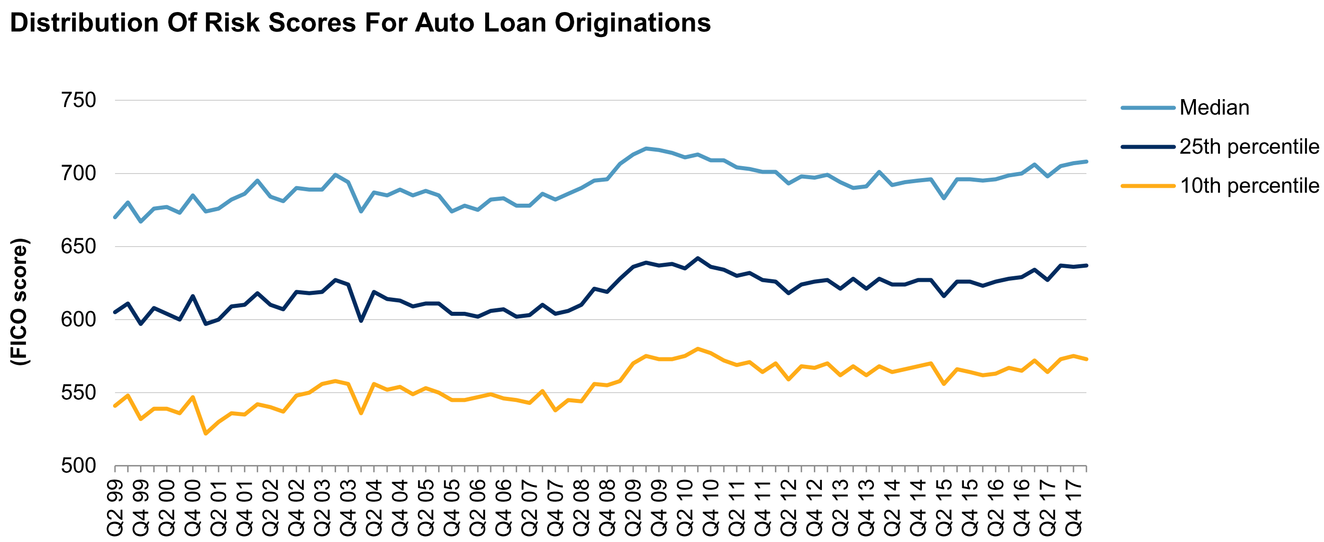
90+ Day Delinquencies By Loan Type



Source: Federal Reserve Bank of New York.

While delinquencies continue to head higher, auto lenders have tried to tighten their lending standards, which the FICO distribution of auto loans demonstrates. The median FICO of loans originated at 708, as of first-quarter 2018, was up from 695 two years ago (see Chart 8). The last time the median FICO for auto loan originations was above 705 was in the first quarter of 2011. Similarly, 25th percentile and 10th percentile FICO scores are also modestly higher to stable from a year ago, according to the Federal Reserve Bank of New York, which demonstrates tightening lending standards.

Chart 8



Source: Federal Reserve Bank of New York.

The issuers we rate vary in their ability to navigate deteriorating credit quality. Some rated issuers have seen higher credit provisioning significantly erode profits or result in losses. Other issuers have been able to navigate higher provisioning with a material, but less significant, impact to earnings. The key differentiator has been the amount of cushion issuers have had as measured by credit provisions relative to preprovision net income. Companies that had a bigger cushion were able to manage higher provisions, while companies with smaller cushions were not.

Payday Lending: Lenders Continue To Transition, But Hopes For A Softer CFPB Are Fading

Optimism for a softer CFPB began to crystalize in January when interim director Mick Mulvaney announced his intent to reconsider the previously announced payday rules. Industry participants hoped it would lead to a delay to the August 2019 compliance date or a rollback of the rules altogether. In May, the Community Financial Services Association (CFSA), a payday lending trade group, and the CFPB filed a joint motion for reconsideration of the final rule and an extension of the effective compliance date. The U.S. District Court for the Western District of Texas, however, rejected the request to delay the compliance date. Even if the CFPB rules were repealed, we believe state regulators could quickly fill the void and implement laws that mirror the CFPB's original proposal.

Despite the possibility of payday lending groups pursuing other legal challenges, we continue to operate under the assumption that the CFPB will implement the October 2017 payday rules as written in August 2019. We therefore expect firms that are already transitioning to lending products that comply with the new rules will be in a better position than those that have been slower to adapt. Most of the payday companies we rate have started streamlining their business operations by reducing their retail footprints and transitioning to longer-term installment loans that will comply with the final CFPB rules. Nevertheless, the new rules will likely lead to increased compliance costs, lower origination volumes, higher charge-offs, and an increase in loan loss provisions, which explain why are ratings are concentrated in the low 'B' and 'CCC' categories. We believe firms that struggle to generate profits under a new product model could consider distressed debt exchanges, file for bankruptcy, or consolidate with larger firms. Over the next two years, $400 million of debt is maturing in 2019 and about $1.3 billion in 2020 among the payday lenders we rate.

Despite the possibility of new regulation, the capital markets remain relatively open to some payday companies. Curo Group Holdings Corp. launched an initial public offering last December. The company, which operates under the Speedy Cash brand, raised $93 million of equity and used a portion of the proceeds to reduce its leverage, which we view favorably. TMX Finance LLC, a subprime auto lender, also refinanced its notes and extended its maturity to 2023. However, in April, we lowered our ratings on Community Choice Financial to 'CC' as the company's existing business strategy and unsustainable debt burden will most likely lead to it conducting a distressed debt exchange for its upcoming 2019 debt maturities.

Money Exchange: Secular Tailwinds Remain

We expect positive secular trends in payment processing to remain firmly in place as we enter the second half of 2018, buoying our expectations for companies in the sector. In our view, the global move toward electronic payment methods should help support payment process fundamentals not only for companies within our coverage (WEX Inc., FleetCor Technologies Inc., PayPal Holdings Inc., Euronet Worldwide Inc., The Western Union Co., and MoneyGram International) but also for card networks (Visa Inc., Mastercard Inc., and American Express Co.). Moreover, we expect transaction volume to grow with the global economy. Barriers to entry are high, with companies operating sophisticated technology platforms that cannot be easily replicated. Cost structures are mainly fixed, in our view, which supports cash-flow generation. Although payment processors are in the regulatory spotlight, companies within our purview operate largely out of the political public eye, and companies like WEX and Fleetcor are in very niche markets.

We expect the sector's strong margins to continue. WEX and Fleetcor generate robust EBITDA margins of about 50%, while Euronet, The Western Union Co., and PayPal have margins that average about 20%-25%. Although changes in technology and an increase competition could put pressure on profitability, we don't see the competitive landscape changing as we finish out the year.

Overall, growth in the sector comes from acquisitions, which we expect to continue over the long term. Earlier this year, PayPal purchased Hyperwallet Systems for $400 million and iZettle for $2.2 billion. That said, we don't expect any sizeable mergers and acquisitions (M&A) over the next six months as leverage levels are relatively high among the sector, absent the networks, and companies are digesting large acquisitions from the prior several years. We generally expect acquisitions to remain small, less than $250 million, and funded with cash.

In January, the Committee on Foreign Investment in the United States (CFIUS) vetoed the merger between MoneyGram International and Ant Financial Inc. In March 2017, Euronet also made an offer to buy MoneyGram, though MoneyGram rejected the offer in favor of a better offer from Ant. While Euronet has not ruled out another offer in light of the CFIUS ruling, we have not assumed another offer is forthcoming.

Western Union and MoneyGram have been testing the implementation of Ripple, a provider of enterprise blockchain (blockchain within corporations), to test whether the technology can improve money transfer logistics. Given the lack of regulation, market adaptability, and transparency on bid-ask spread, we do not expect the blockchain technology to have an impact over the next three years.

Commercial Real Estate (CRE): Does An Inflection Point For Cap Rates Signal An Inflection Point For Credit?

For the CRE finance companies we rate, losses have been minimal to nonexistent in recent years as the underlying economy continues to support CRE fundamentals. Higher rates should expand margins in the short term if credit quality remains benign because transitional loans held on balance sheets have floating rates that are likely to rise faster than funding costs. Longer term, rising rates could increase costs for borrowers, leading to increasing delinquencies and charge-offs, and we believe will put pressure on cap rates, which could decrease real estate values.

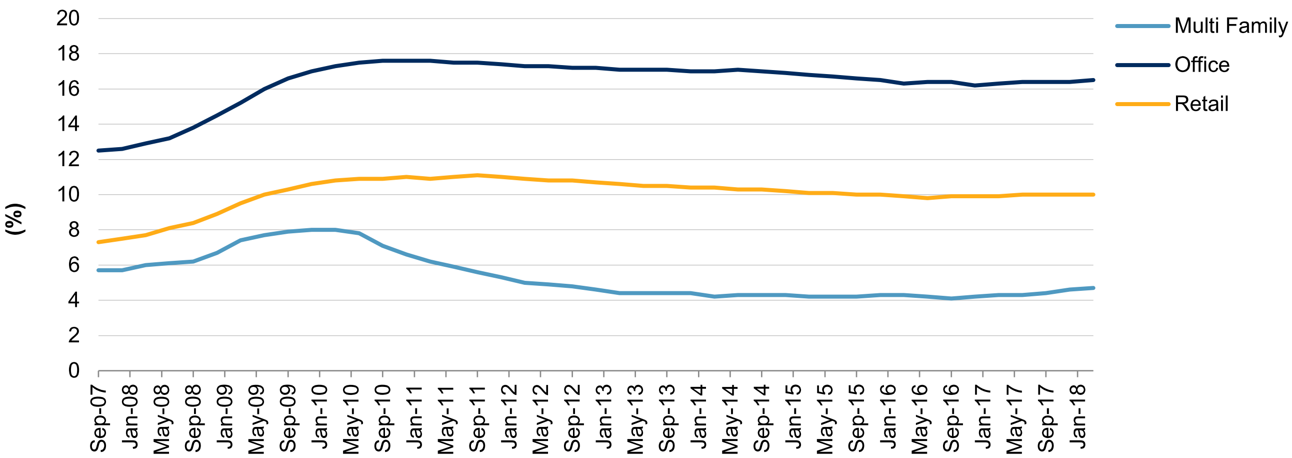
During the past couple of years, companies such as Ladder Capital Finance Holdings LLLP and Starwood Property Trust Inc. have expanded their use of unsecured funding because of surging demand in the capital markets. More recently, we have seen CRE finance companies grow their use of collateralized loan obligations (CLOs) to fund further origination growth. The CLO nonrecourse structure allows for more diverse funding and greater leverage while complying with risk-retention rules. If the CLO market remains open to CRE finance companies, it could fuel further origination growth and higher leverage through the rest of 2018.

We remain vigilant about the potential impact of strong competition on the quality of loan portfolios, especially given that many companies we rate have not gone through a downturn and many of them still use a significant amount of repurchase facilities that could impose margin calls if credit deteriorates.

Vacancies for multifamily real estate appear to have troughed in 2016, with multifamily vacancies at 4.7% as of first-quarter 2018, up from 4.2% as of fourth-quarter 2016, according to Bloomberg data provided by REIS Inc. Retail vacancies have remained relative steady at 10% since 2015, though they remain substantially higher than precrisis levels as demand for retail space has fallen because of growing online sales. Office vacancies also have not recovered to prerecession levels and are now at 16.5% as of first-quarter 2018, up from their precrisis trough of 12.6%.

Chart 9

CRE Vacancies: All U.S. Metropolitan Areas

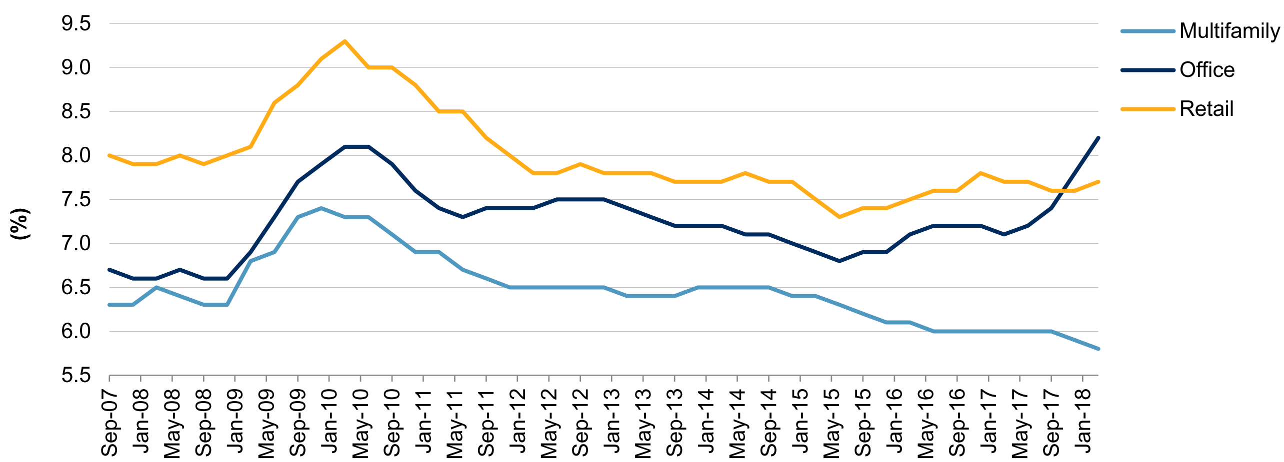


Source: REIS.

We will also remain watchful of property price declines, which have more than doubled since the last trough and are currently led by multifamily. Cap rates for office property have noticeably headed higher since the third quarter of 2017 and are at 8.2% as of first quarter 2018, compared with 7.1% in the year-ago period. Multifamily cap rates continue to head lower and were at 5.8% as of the end of the first quarter of 2018 compared with 6.0% in the year-ago period. Retail cap rates are also relatively stable at 7.7% as of first quarter 2018, unchanged from the year-ago period.

Chart 10

CRE Cap Rates: All U.S. Metropolitan Areas



Source: REIS.

Our View Of The Industry Is Broadly Stable, Though Some Segments Face Challenges

Overall, we expect few rating changes for nonbank finance companies in the second half of 2018. In general, a sound economy and favorable financing conditions bode well for U.S. finance companies and their customers. Nevertheless, certain segments are facing challenges, which are reflected in a number of negative outlooks for small-dollar lenders because of changes in regulation, while residential mortgage originators and servicers face challenging business conditions. Chances of a recession in the near term are low, but we believe we are late in the credit cycle and see potential risks building that could contribute to losses in the next downturn. We believe competition has been intense across many segments, which has loosened underwriting standards in certain segments and could increase credit losses when the inevitable turn in the credit cycle does occur.

Appendix I: NBFI Finance Company Rating Factor Assessments

Table 1

U.S. And Canada NBFI Finance Company Rating Factor Assessments

Company	Anchor	Entity-specific adjustment	Final anchor	Business position	Capital, leverage, and earnings	Risk position	Funding/Liquidity	Comparable ratings adjustment	SACP	Group influence/GRE support	ICR	Outlook
Ally Financial Inc.	bb+	2	bbb	Moderate	Strong	Moderate	Adequate/Adequate	0	bbb-	-1	BB+	Stable

Table 1

U.S. And Canada NBFI Finance Company Rating Factor Assessments (cont.)

Company	Anchor	Entity-specific adjustment	Final anchor	Business position	Capital, leverage, and earnings	Risk position	Funding/Liquidity	Comparable ratings adjustment	SACP	Group influence/GRE support	ICR	Outlook
Credit Acceptance Corp.	bb+	0	bb+	Moderate	Strong	Moderate	Adequate/Adequate	0	bb	0	BB	Stable
DriveTime Automotive Group Inc.	bb+	0	bb+	Moderate	Adequate	Very Weak	Moderate/Adequate	1	b	0	B	Negative
goeasy Ltd.	bbb-	0	bbb-	Moderate	Strong	Weak	Moderate/Adequate	0	bb-	0	BB-	Stable
iStar Inc.	bb+	0	bb+	Moderate	Moderate	Moderate	Adequate/Adequate	1	bb-	0	BB-	Stable
Jefferies Finance LLC	bb+	0	bb+	Moderate	Moderate	Weak	Adequate/Adequate	0	b	1	B+	Stable
KKR Financial Holdings LLC	bb+	0	bb+	Adequate	Very Strong	Weak	Adequate/Adequate	1	bbb-	1	BBB	Stable
Ladder Capital Finance Holdings LLLP	bb+	0	bb+	Moderate	Adequate	Adequate	Adequate/Adequate	0	bb	0	BB	Stable
LoanCore Capital Markets LLC	bb+	0	bb+	Weak	Adequate	Moderate	Moderate/Adequate	1	b+	0	B+	Stable
Massachusetts Development Finance Agency	bb+	1	bbb-	Strong	Very Strong	Adequate	Strong/Strong	0	a	1	A+	Stable
National Rural Utilities Cooperative Finance Corp.	bb+	1	bbb-	Very Strong	Adequate	Strong	Adequate/Adequate	1	a	0	A	Stable
Navient Corp.	bb+	0	bb+	Moderate	Adequate	Moderate	Adequate/Adequate	0	bb-	0	BB-	Negative
NXT Capital Inc.	bb+	0	bb+	Moderate	Adequate	Moderate	Adequate/Adequate	0	bb-	0	BB-	CW Positive
OneMain Holdings Inc.	bb+	0	bb+	Adequate	Weak	Moderate	Moderate/Adequate	0	b	0	B	Positive
Oxford Finance LLC	bb+	0	bb+	Moderate	Strong	Moderate	Moderate/Adequate	0	bb-	0	BB-	Stable
Starwood Property Trust Inc.	bb+	0	bb+	Moderate	Strong	Moderate	Adequate/Adequate	0	bb	0	BB	Stable
World Acceptance Corp.	bb+	0	bb+	Moderate	Very Strong	Weak	Moderate/Adequate	-1	b+	0	B+	Negative

Data as of July 15, 2018. SACP--Stand-alone credit profile. GRE--Government-related entity. ICR--Issuer credit rating.

Table 2

NBFI Finance Company Descriptions

Company	Description
Ally Financial	A bank and financial holding company. Ally offers financing and insurance products to automotive dealers and retail customers, residential mortgage finance, corporate finance, and wealth management. Ally Bank offers online banking.
Credit Acceptance Corp.	Credit Acceptance offers financing programs that enable automobile dealers to sell vehicles to subprime consumers. The company provides financing programs through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing.
DriveTime Automotive Group Inc.	DriveTime is the fourth largest used vehicle dealership enterprise in the U.S. based on total unit volume. Its business model integrates the acquisition, reconditioning and sale of used vehicles with financing for customers who may have limited ability to obtain financing to acquire a vehicle from traditional sources.
goeasy Ltd.	The company provides loans and other financial services to consumers, and leases household products to consumers in Canada.
iStar Inc.	A commercial real estate REIT with four segments: Lending, Net leasing, Land & development and Operating.
Jefferies Finance LLC	Joint venture between Jefferies Group and Mass Mutual that originates, distributes and invests in leveraged loans.
KKR Financial Holdings LLC	Specialty finance company that invests in credit and natural resources, among other segments. The credit segment typically invests in speculative-grade corporate loans, the majority of which are held in collateralized loan obligations. The company was founded in 2004,is based in San Francisco, and is 100% owned and managed by KKR & Co.
Ladder Capital Finance Holdings LLLP	Ladder is an internally-managed real estate investment trust that originates and invests in a diverse portfolio of commercial real estate and real estate-related assets, focusing on senior secured assets.
Loancore Capital Markets LLC	Privately held originator of commercial real estate loans primarily for sale into CMBS.
Massachusetts Development Finance Agency	As Massachusetts' economic development and finance authority, MassDevelopment is committed to stimulating business and driving economic growth across the state through bond financing, loans and guarantees, tax credits, grants, and various real estate services.
National Rural Utilities Cooperative Finance	A not-for-profit cooperative that makes loans to the rural electric utility industry.
Navient Corp.	Operates in three segments: Federal Family Education Loan Program (FFELP) Loans, Private Education Loans, and Business Services.
NXT Capital Inc.	Provides middle market lending focused on corporate finance and real estate loans. The company also provide asset management services for middle market loans to investors.
OneMain Holdings Inc.	Provides consumer finance and insurance products and services. OMF provides secured and unsecured personal loans online and through 1,650 branches in 44 states.
Oxford Finance LLC	A specialty finance company that provides capital to life sciences and healthcare services companies.
Starwood Property Trust Inc.	A REIT operating in three segments: Lending, Investing and Servicing, and Property.
World Acceptance Corp.	Subprime consumer finance lender offering medium term installment loans and to a lesser extent tax prep services.

Appendix II: Financial Services Finance Company Assessments

Table 3

U.S. Financial Services Finance Company Rating Factor Assessments As Of July 2018

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy	Liquidity	Management and governance	Peer adjustment	SACP	Issuer credit rating	Outlook
ACE Cash Express Inc.	Vulnerable	Highly leveraged	b-	Neutral	FS-6	Less than adequate	Fair	Neutral	b-	B-	Stable
Altisource Portfolio Solutions S.A.	Vulnerable	Significant	b+	Neutral	Neutral	Adequate	Weak	Neutral	b	B	Stable
Avison Young (Canada) Inc.	Fair	Highly leveraged	b	Neutral	Neutral	Adequate	Fair	Unfavorable	b-	B-	Stable
Blucora Inc.	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Fair	Unfavorable	bb	BB	Stable
CBRE Services Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb+	BBB+	Stable
CNG Holdings Inc.	Vulnerable	Highly leveraged	b-	Neutral	Neutral	Less than adequate	Fair	Neutral	ccc+	CCC+	Positive
Community Choice Financial Inc.	Vulnerable	Highly leveraged	b-	Neutral	FS-6	Less than adequate	Weak	Neutral	cc	CC	Negative
Curo Group Holdings Corp.	Vulnerable	Significant	b+	Neutral	Negative	Less than adequate	Fair	Unfavorable	b-	B-	Stable
Cushman & Wakefield Inc.	Fair	Highly leveraged	b	Neutral	FS-6	Adequate	Fair	Favorable	b+	B+	Stable
DiTech Holding Corp.	Weak	Highly leveraged	b-	Negative	Negative	Less than adequate	Weak	Neutral	ccc+	CCC+	Stable
Enova International Inc.	Vulnerable	Aggressive	b	Neutral	Neutral	Less than adequate	Fair	Neutral	b	B	Negative
Enterprise Fleet Management Inc.	Satisfactory	Significant	bbb-	Neutral	Neutral	Adequate	Satisfactory	Favorable	bbb	BBB	Stable
Euronet Worldwide Inc.	Satisfactory	Intermediate	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	BBB-	Negative
FirstCash Inc.	Weak	Modest	bb+	Neutral	Neutral	Strong	Satisfactory	Unfavorable	bb	BB	Positive
FleetCor Technologies Inc.	Satisfactory	Significant	bb+	Neutral	Neutral	Adequate	Fair	Neutral	bb+	BB+	Stable
Freedom Mortgage Corp.	Weak	Highly leveraged	b	Negative	Neutral	Adequate	Fair	Neutral	b-	B-	Stable
Greenhill & Co. Inc.	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Fair	Unfavorable	bb	BB	Stable

Table 3

U.S. Financial Services Finance Company Rating Factor Assessments As Of July 2018 (cont.)

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy	Liquidity	Management and governance	Peer adjustment	SACP	Issuer credit rating	Outlook
Greystar Real Estate Partners LLC	Fair	Significant	bb	Neutral	Negative	Adequate	Satisfactory	Neutral	bb-	BB-	Stable
Hunt Companies	Fair	Aggressive	bb-	Neutral	Neutral	Adequate	Fair	Neutral	bb-	BB-	Stable
Jones Lang LaSalle Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb+	BBB+	Stable
MoneyGram International Inc.	Fair	Highly leveraged	b	Neutral	FS-6	Adequate	Fair	Favorable	b+	B+	Stable
Nelnet Inc.	Fair	Minimal	bbb	Negative	Neutral	Strong	Fair	Neutral	bbb-	BBB-	Stable
Ocwen Financial Corp.	Vulnerable	Highly leveraged	b-	Negative	Neutral	Adequate	Weak	Neutral	b-	B-	Negative
PennyMac Financial Services Inc.	Weak	Significant	bb-	Negative	Neutral	Adequate	Fair	Neutral	b+	B+	Stable
Provident Funding Associates L.P.	Weak	Aggressive	b+	Negative	Neutral	Adequate	Fair	Neutral	b	B	Negative
Quicken Loans Inc.	Fair	Intermediate	bb+	Negative	Neutral	Strong	Fair	Neutral	bb	BB	Stable
Stearns Holdings LLC	Weak	Highly leveraged	b	Negative	FS-6	Less than adequate	Fair	Favorable	b	B	Negative
Sterling Mid-Holdings Ltd.	Vulnerable	Highly leveraged	b-	Neutral	FS-6	Less than adequate	Weak	Neutral	ccc	CCC	Negative
TMX Finance LLC	Vulnerable	Highly leveraged	b-	Neutral	Neutral	Less than adequate	Weak	Neutral	b-	B-	Negative
Walker & Dunlop Inc.	Fair	Intermediate	bb+	Negative	Neutral	Strong	Fair	Unfavorable	bb-	BB-	Positive
Western Union Co.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Fair	Neutral	bbb	BBB	Stable
WEX Inc.	Satisfactory	Aggressive	bb	Neutral	Neutral	Adequate	Fair	Unfavorable	bb-	BB-	Stable
Wheels Inc.	Strong	intermediate	a-	Neutral	Neutral	Adequate	Satisfactory	Favorable	a	A	Stable
WMIH Corp.	Weak	Aggressive	b+	Negative	Neutral	Adequate	Fair	Favorable	b+	B+	Negative

Table 4

U.S. Financial Services Finance Company Descriptions

Company	Company description
ACE Cash Express Inc.	ACE Cash provides payday consumer loans, bill pay, check cashing and prepaid debit card services.

Table 4

U.S. Financial Services Finance Company Descriptions (cont.)

Company	Company description
Altisource Portfolio Solutions S.A.	Altisource is a real estate and mortgage asset management and service provider.
Avison Young (Canada) Inc.	Avison Young provides commercial real estate services for office, retail, industrial, and multi-family properties. The company offers transaction management, tenant/landlord representation, consulting and advisory and facility management.
Blucora Inc.	Blucora operates two segments. Wealth management offeres brokerage and invetment advisory. Tax preperation offers digital do-it-yourself tax preparation solutions.
CBRE Services Inc.	CBRE is commercial real estate services and investment company that strategic advice and execution to owners, investors, and occupiers of real estate in connection with leasing, integrated property sales, and mortgage and structured financing services.
CNG Holdings Inc.	CNG offers payday loans, installment loans, check cashing, money transfers, automobile title loans, pawn-broking, and other financial products and services.
Community Choice Financial Inc.	Community Choice offers short-term payday and medium-term consumer loans, check cashing, prepaid debit cards, money transfers, bill payments, money orders and other ancillary retail financial services. As of September 30, 2017, it owned and operated 502 stores in 12 states.
Creditcorp	Creditcorp provides payday consumer loans, bill pay, check cashing and other financial services products.
Curo Group Holdings Corp.	Curo Holdings, whice operates as Speedy Cash, offers payday, title, and installment loans; personal line of credit,cash for gold, pre-paid cards, money orders, and money transfers, as well as check cashing services.
Cushman & Wakefield Inc.	Cushman & Wakefield, Inc. provides real estate services for owners, tenants, and investors. It offers agency leasing and brokerage services for clients across various commercial property types with specialists in office, retail, hospitality, industrial, and logistics.
Ditech Holdings Corp.	DiTech Holdings (fka Walter Investment Management) is a servicer and originator of mortgage loans, and a servicer of reverse mortgage loans. It operates through three segments: Servicing, Originations, and Reverse Mortgage, although the company is exploring exiting the Reverse segment.
Enova International Inc.	Entirely online, Enova provides payday consumer loans, installment loans, and consumer lines of credit.
Enterprise Fleet Management Inc.	Enterprise Fleet Management provides fleet management services for businesses with mid-sized fleets in the United States. The company assists businesses in disposing and replacing vehicles, as well as provides reporting on fleet operations.
Euronet Worldwide Inc.	Euronet Worldwide, Inc. provides payment and transaction processing and distribution solutions to financial institutions, retailers, service providers, and individual consumers worldwide. The company operates in three segments: Electronic Financial Transaction (EFT) Processing, epay, and Money Transfer.
FirstCash Inc.	FirstCash operates retail-based pawn and consumer finance stores in the United States and Mexico. Its pawn stores lend money on the collateral of pledged personal property.
FleetCor Technologies Inc.	FleetCor Technologies is a commercial payment solutions provider. The company's payment products, networks and services provide specialized charge cards for specific spend categories. The company's revenues can be divided into six payment solutions based products: fuel, corporate payments, tolls, lodging, gift, and other.
Freedom Mortgage Corp.	Freedom Mortgage is a private, full-service residential nonbank mortgage finance company that specializes in the purchase of Ginnie Mae-eligible mortgages through its network of correspondent mortgage brokers.
Greenhill & Co. Inc.	Boutique and independent investment bank offering M&A advisory, restructuring, and capital raising services.

Table 4

U.S. Financial Services Finance Company Descriptions (cont.)

Company	Company description
Greystar Real Estate Partners LLC	Greystar is a leading, fully-integrated property management, investment management and development and construction services company specializing in the multifamily real estate industry.
Hunt Companies Inc.	Hunt is engaged in development, investment, management, and financing of real estate for public- and private-sector clients in the U.S., Europe and internationally.
Jones Lang LaSalle Inc.	Jones Lang LaSalle provides commercial real estate and investment management services worldwide. It offers a range of real estate services, including agency leasing, project and development management/construction, capital markets, property management, corporate finance, and facility management outsourcing.
MoneyGram International Inc.	MoneyGram provides money transfer services in the United States and internationally. The company operates through two segments, Global Funds Transfer and Financial Paper Products.
Nelnet Inc.	Nelnet provides loan servicing activities, such as loan conversion, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliation, and claim processing activities for the company's student loan portfolio and for third-party clients.
Ocwen Financial Corp.	Ocwen engages in the servicing and origination of mortgage loans in the United States. Its Servicing segment provides residential and commercial mortgage loan servicing, special servicing, and asset management services to owners of mortgage loans and foreclosed real estate.
PennyMac Financial Services Inc.	PennyMac Financial Services engages in mortgage banking and investment management activities. It operates through three segments: Loan Production, Loan Servicing, and Investment Management.
Provident Funding Associates L.P.	Provident originates and services first mortgages, primarily through the wholesale channel. It offers home loans and refinancing options, as well as various loan programs, including fixed rate loans, adjustable rate mortgages, super conforming loans, and jumbo loans.
Quicken Loans Inc.	Quicken Loans is the largest online and second largest overall mortgage originator in the United States. It offers mortgages and home buying programs such as refinancing options through its retail channel.
Stearns Holdings LLC	Stearns is a mortgage origination and servicing company.
Sterling Mid-Holdings Ltd.	Sterling provides single-payment loans, check cashing, and other services (installment loans, money orders, money transfers, foreign currency exchange, debit cards, pawn lending, and gold buying) through its retail storefront in the U.S., Canada, and Europe
TMX Finance LLC	TMX Finance offers single payment short-term and multiple payment installment loans primarily secured by automobile titles.
Walker & Dunlop Inc.	Walker & Dunlop originates, sells, and services a range of multifamily and other commercial real estate products for owners and developers.
Western Union Co.	Western Union provides money movement and payment services worldwide. The company operates in three segments: Consumer-to-Consumer, Consumer-to-Business, and Business Solutions.
WEX Inc.	WEX provides corporate card payment solutions worldwide. It operates through three segments: Fleet Solutions, Travel and Corporate Solutions, and Health and Employee Benefit Solutions.
Wheels Inc.	Wheels provides automotive fleet leasing and management services for sales fleets and service fleets globally.
WMIH Corp.	WMIH Corp. (fka Nationstar Mortgage) provides servicing, origination, and transaction based services to single-family residences. It operates in three segments: Servicing, Originations, and Xome. The Servicing segment is the largest and engages in the collection and recording of mortgage payments, administration of mortgage escrow accounts, negotiations of modifications, and managing foreclosures.

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