

## Increase in Asset-Backed Securities Signifies Robust Recovery for Timeshare Market

Contributed by ARDA press release

Despite the recession, timeshare asset-backed securities (ABS) is one of the few asset classes demonstrating a renewed level of investor demand and resilient credit performance according to a recent Standard & Poor's analysis. In addition, Fitch Ratings found that total ABS delinquencies fell compared to the same period last year for the first year-over-year improvement since August, 2007.

Issuance of ABS based on timeshares passed the one billion dollar mark in 2009 with more than two-thirds being in the fourth quarter. Ratings performance was solid, in part because timeshare note structuring offers sufficient credit enhancement to absorb multiples of the historical default levels. As a result, developers such as Marriott, Wyndham, Diamond Resorts, Bluegreen and Starwood have issued new term securitization and sold them to the capital markets in 2009.

"This is another indicator that our market is resilient and that recovery has begun," said Howard Nusbaum, president and CEO of the American Resort Developments Association (ARDA). "The increase in delinquencies and defaults in the sector since September 2008 has been relatively modest especially when compared to other ABS classes, and we believe preliminary signs indicate that the worst is over."

Credit enhancements such as subordination, over collateralization, reserves, excess spread, and triggers explain in part why the timeshare asset class has weathered the downturn relatively well. To date, Standard & Poor's has not downgraded a single tranche of timeshare ABS securities issued since 2000.

"Thus far in this recession, credit enhancement in timeshare ABS transactions has been adequate, in our opinion, to counter the impact of economic and sector downturns," says David Wyss, Standard & Poor's chief economist. "If this performance outlasts the downturn, there is reason to believe that the upswing in new issuance should continue. It is also possible that issuance could again include smaller developers who, before this downturn, had access to the ABS capital market."

**ABOUT ARDA |** The American Resort Development Association (ARDA) is the Washington D.C.-based professional association representing the vacation ownership and resort development industries. Established in 1969, ARDA today has over 1,000 members ranging from privately held firms to publicly traded companies and international corporations with expertise in shared ownership interests in leisure real estate. The membership also includes timeshare owner associations (HOAs), resort management companies, and owners through the ARDA Resort Owners Coalition (ARDA-ROC).