Hedging against a global recession
Can investments in innovation reduce future shocks?

As economic expansion enters its tenth year—the second-longest in U.S. history—a bubbling sense of uncertainty hangs over the financial services industry. To prepare their organizations for the next economic cycle, executives in the asset-backed securities sector agree that digital transformation is critical.

Risks to watch in the year ahead

In 2018, 48% noted regulations were the most significant risk to their businesses while 58% thought so in 2017.

- 29% uncertainty around regulatory risk
- 29% increased credit risk
- 18% rising interest rates
- 17% increased competition rates

Changes in underwriting standards

This year’s results are likely due to changes in leadership within the Federal Reserve and the current Administration’s view on financial policies.

- 41% remain the same
- 34% loosen
- 25% tighten

Strong skepticism around credit quality

Only 5% expect credit quality to improve in the coming year. The majority (55%) of respondents expect that credit quality will worsen, compared to 42% in 2018.

- 55% worse
- 40% same
- 5% improve

The best offense—and defense—is good technology.

90% feel that adopting new technologies will be essential in preparing their businesses for the next economic cycle.

Top 3 emerging technologies

- Machine Learning & AI
- Blockchain
- Online & Mobile Payments

Top growth sectors in ABS

Last year, 34% named residential mortgage finance as having the highest growth expectations, which plummeted to just 18% in 2019.

- 20% esoteric assets
- 20% reverse consumer loans
- 18% residential mortgage finance
- 16% leveraged loans
- 11% asset-based loans & factoring

"Our view of the data is that the ABS industry is not only becoming comfortable with advancing technology, but relying on it to help deliver a competitive edge on everything from origination, to underwriting, to servicing."

Dave Kucera
Senior Managing Director and Head of the Financial Institutions Group at Capital One

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Capital One conducted a survey of attendees at SFIG 2019 in Las Vegas, Nevada on February 25-26, 2019. Percentages are based on 153 responses. Products and services are offered by Capital One, N.A., Member FDIC. © 2019 Capital One.