

Asset-Backed  
Presale Report

Hyundai Auto Receivables Trust  
2006-B

Ratings

Class	Amount (\$ Mil.)*	Expected Rating	Coupon	Initial CE (%)
A-1	239.0	F1+	Fixed	13.80
A-2	225.0	AAA	Fixed	13.80
A-3	249.0	AAA	Fixed	13.80
A-4	130.0	AAA	Fixed	13.80
B	43.8	AA	Fixed	9.30
C	41.8	A	Fixed	5.00
D	34.0	BBB	Fixed	1.50

\*Preliminary and subject to change. CE – Credit enhancement.

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The preliminary ratings do not reflect final ratings and are based on information provided by issuers as of Oct. 23, 2006. These preliminary ratings are contingent on final documents conforming to information already received. Collateral may be added or dropped from the portfolio. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

■ Summary

The asset-backed notes to be issued by Hyundai Auto Receivables Trust (HART) 2006-B are rated as listed at left by Fitch. The securities issued from the owner trust structure are backed by a pool of retail loan contracts secured by new and used automobiles and light-duty trucks. This is the second HART transaction of the year. The most recent public transaction closed in March 2006. The ratings address the likelihood that noteholders will receive full payments of interest and principal in accordance with the terms of the transaction documents. The ratings also are based on the following:

- The quality of the collateral.
- Initial credit enhancement equal to 13.80% for the class A notes (consisting of 12.30% subordination, 1.00% overcollateralization [OC] and a 0.50% reserve account); 9.30% for the class B notes (7.80% subordination, 1.00% OC and 0.50% reserve); 5.00% for the class C notes (3.50% subordination, 1.00% OC and 0.50% reserve); and 1.50% for the class D notes (1.00% OC and 0.50% reserve).
- The yield supplement OC (YSOC) amount, sized to compensate for receivables in the pool with interest rates below 8.00%, raising the pool's estimated effective spread to approximately 3.68% per annum.
- The availability of excess spread to turbo pay the notes and reach target enhancement levels of 35.20%, 23.25%, 12.50% and 4.00% for the class A, B, C and D notes, respectively.
- The transaction's sound legal and cash flow structures.
- The strength of Hyundai Motor Finance Company (HMFC) as originator and servicer of the automobile loans.

■ Strengths

- Strong obligor credit quality as demonstrated by a weighted-average (WA) Fair Isaac & Co. (FICO) score of 701, which is the second highest versus all prior HART transactions.
- Improved and favorable mix of new versus used collateral, 97.82%, which is the highest percentage seen in any HART transaction to date.
- Positive growth trends and continued improvement in average HMFC borrower profile.
- HMFC's capabilities as originator and servicer, as demonstrated by consistent asset performance.
- Geographic diversification.

■ Concerns

- Decline in the 'A+' credit tier compared with 2006-A.
- Percentage of loans with original terms greater than 60 months

is 57.29%, increasing the transaction's exposure to greater loss severity.

- Increase in concentration of Kia receivables (10%) from 2006-A (7%).

■ Noteworthy Changes

- The collateral mix in 2006-B has shifted relative to 2006-A due to a decrease in the 'A+' credit tier, resulting in a larger loss expectation for 2006-B than in 2006-A, but is better than all other HART transactions.
- Similar to 2006-A, the capital structure of the new series incorporates subordination and additional credit enhancement in the form of OC, a reserve account, a YSOC account and excess spread to grow credit enhancement to specified target levels. Target enhancement levels for the more senior classes are higher than in 2006-A, reflecting the higher expected losses given the change in borrower credit profiles. The credit-enhancement levels continue to provide expected loss coverage consistent with the rating category.

Key Parties to Transaction

**Issuer:** Hyundai Auto Receivables Trust, 2006-B

**Servicer:** HMFC (not rated).

**Depositor:** Hyundai ABS Funding Corp.

**Seller:** HMFC (not rated).

**Indenture Trustee:** Citibank, N.A., (rated 'AA+'/'F1+' by Fitch).

**Owner Trustee:** Wilmington Trust Company (rated 'A+'/'F1' by Fitch).

■ Hyundai Motor Company

**Role:** Parent of the sponsor/seller/servicer.

**Risk to transaction:** Financial deterioration and/or future product/pricing decisions could negatively affect performance.

**Mitigants:** Cash flow stresses and credit enhancement.

Hyundai Motor Company (Hyundai) is South Korea's largest automaker, employing approximately 51,000 people globally. In June 2006, it was ranked as the sixth-largest automaker in the world (by Automotive News) due to the company's 11.6% growth in sales in 2005 to 3,715,096 units. Established in 1967, Hyundai is affiliated with automobiles (Kia Motors Corporation [Kia Motors]), trucks (Hyundai Translead, Inc.), auto parts (Hyundai Mobis) and auto finance (Hyundai Capital Services, Inc.), as well as

other automobile-related companies (Hyundai PowerTech Co. Ltd. and Hyundai Hysco, among others). The company has reported improvement in sales and profitability. Hyundai reported sales of \$58.08 billion in 2005, up 10.8% from \$52.42 billion in 2004, and net profits increased to \$2.29 billion in 2005, up 32.6% from 2004.

■ Hyundai Motor Finance Company

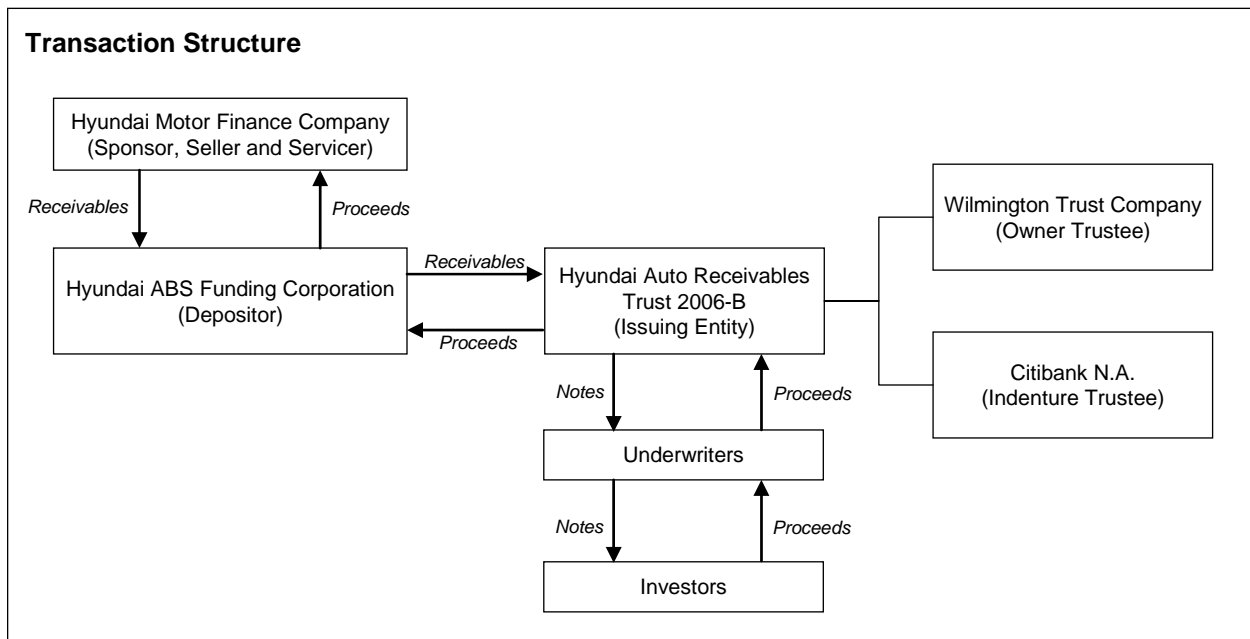
**Role:** Sponsor/seller/servicer.

**Risk to transaction:** Financial deterioration could negatively affect performance.

**Mitigants:** Servicing transferability, cash flow stresses, credit enhancement and transaction event of default.

HMFC, the captive finance subsidiary of Hyundai Motor America (HMA), provides wholesale inventory financing to motor vehicle dealers and retail and lease financing for customers of such dealers. From 2000–2005, HMFC's serviced portfolio grew steadily. The company managed approximately \$3.1 billion in automotive loan receivables as of Sept. 30, 2006. Dealer sales and marketing are handled by a team of 39 dealer finance managers whose duties include visits to dealers to act as a liaison between HMFC and the dealerships regarding issues such as credit criteria, guidelines, promotional financing programs and customer service.

In mid-2003, HMFC received the endorsement of Kia Motors America, Inc. (Kia) to be an approved lender to Kia dealers in the United States. Starting in October 2003, HMFC began purchasing retail installment contracts from Kia dealers. From inception, Kia business has been underwritten according to the same standards as Hyundai business. Kia-brand collateral comprises approximately 10.0% of the HART 2006-B transaction.

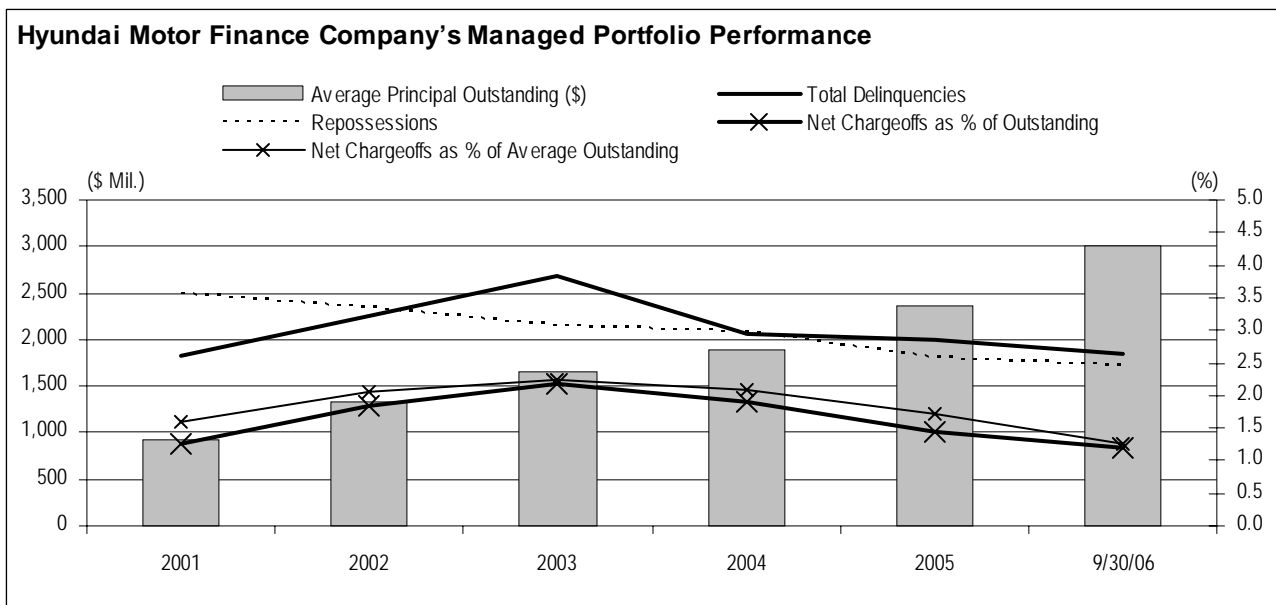


■ **Legal Structure**

Fitch believes the legal structure of the transaction ensures that a bankruptcy of HMFC would not impair the timeliness of payments on the securities. Fitch expects to receive and review legal opinions to the effect that the transfer of the receivables to the trust constitutes a true sale and not a secured financing and the assets of the trust would not be consolidated with those of HMFC in the event of bankruptcy. Furthermore, Fitch expects to receive an opinion of counsel that the trustee will have a first-perfected security interest in the assets transferred to the trust.

■ **Portfolio Performance**

HMFC's managed portfolio totaled \$3.13 billion at Sept. 30, 2006, 12.3% higher than at year-end 2005, which was up 34.8% from year-end 2004. As of Sept. 30, 2006, total delinquencies were 2.65%, down from 2.85%, 2.95% and 3.84% at year-end 2005, 2004 and 2003, respectively. Total delinquencies have averaged 3.10% over the past five



Historical Loss Experience

(\$ 000, Years Ended Dec. 31)

	Nine Months Ended						2001
	9/30/06	9/30/05	2005	2004	2003	2002	
Average Portfolio Balance Outstanding	3,003,704	2,244,794	2,354,866	1,899,406	1,649,812	1,339,882	920,589
Gross Chargeoffs*	42,336	39,377	53,498	51,012	45,832	35,448	21,600
Recoveries**	13,857	9,922	13,202	11,587	8,764	7,865	6,786
Net Losses	28,479	29,455	40,296	39,425	37,068	27,583	14,813
Net Losses as % of Average Principal Outstanding	1.26	1.75	1.71	2.08	2.25	2.06	1.61
Repossession as % of Average Number of Receivables Outstanding	2.45	2.67	2.58	2.98	3.06	3.34	3.56

\*Gross chargeoffs are after the sale of the vehicle less any money collected for the sale, and include full balance chargeoffs, which occur at 120 days plus delinquent; contracts are generally charged off at the earlier of 120 days past due and sale of the repossessed vehicle. \*\*Recoveries include any money collected after the chargeoff has occurred; Recoveries also include money collected on bankruptcies and insurance claims after chargeoff.

Historical Delinquency Experience

(\$ 000, Years Ended Dec. 31)

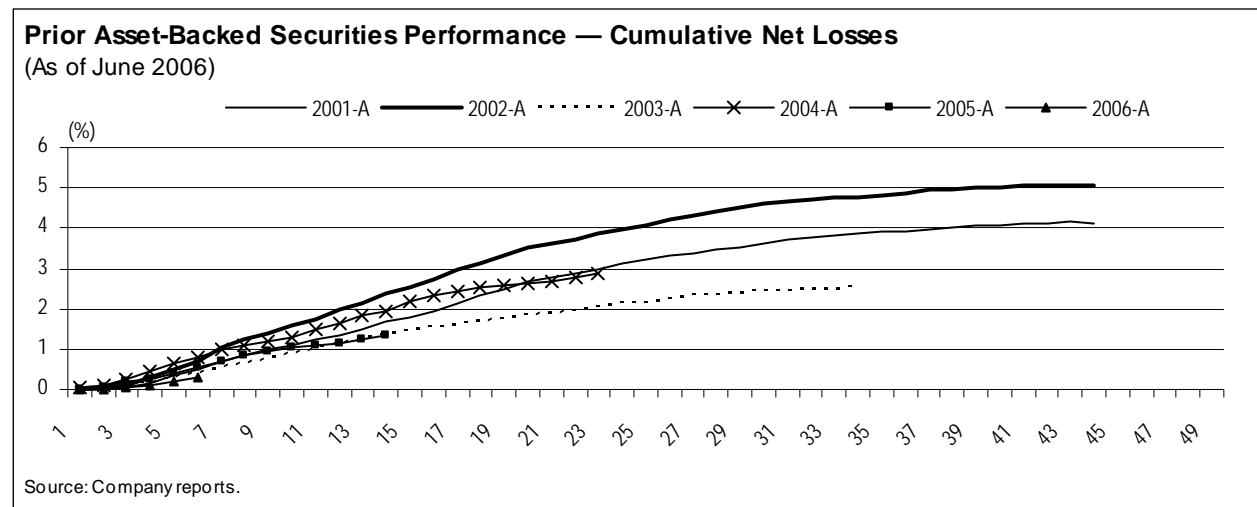
	Nine Months Ended						2001
	9/30/2006	9/30/2005	2005	2004	2003	2002	
Portfolio Balance at Period End*	3,134,772	2,550,885	2,790,634	2,070,113	1,698,525	1,488,342	1,168,766
Number of Loans at Period End	240,423	199,531	216,856	166,358	140,081	121,131	93,122
Delinquencies (%) **							
30–59 Days	2.07	1.75	2.20	2.31	3.03	2.68	2.23
60+ Days	0.58	0.50	0.65	0.63	0.81	0.54	0.39
Total	2.65	2.25	2.85	2.95	3.84	3.23	2.62

\*Represents the aggregate principal balance of all contracts purchased and serviced by HMFC. \*\*Represents the aggregate principal balance of all accounts that are 30 days or more past due, including accounts in repossession, and is calculated as a percentage of the principal amount outstanding at period end. Note: Numbers may not add due to rounding.

years (2001–2005) and have shown steady improvement over the past several years. Net charge-off performance exhibited lower loss levels in both 2005 and 2004 compared with prior years. Through the first nine months of 2006, net chargeoffs as a percent of average outstanding portfolio balance were 1.26%, down 26.3% from year-end 2005, and repossessions as a percent of the average outstanding portfolio were 2.45%, down 5.0% from year-end 2005.

■ Securitization History

The issuer completed its first securitization in 1993 and has accessed the asset-backed securities (ABS) market for funding annually since 2000. Transaction cumulative net loss performance averaged 3.06% for transactions at least 24 months seasoned. At Dec. 31, 2005, approximately \$1.57 billion, or 56% of HMFC’s receivables, were pledged



in connection with securitization transactions.

■ Collateral Analysis

The 2006-B notes are backed by fixed-rate, level-pay, fully amortizing installment sales contracts secured by new and used automobiles and light-duty trucks originated by HMFC.

Borrower Attributes

*Obligor Credit Quality — Stable*

The credit quality of obligors comprising the 2006-B pool continues to remain strong, as measured by FICO credit scores and HMFC's proprietary credit-grading matrix. With a WA FICO score of 701, 2006-B has one of the highest scores among all prior transactions, with the exception of 2006-A. The FICO tier distribution is also strong, with 48.77% of the obligors having FICOs above 700, an improvement over 2005-A levels of 43.92%.

Consistent with the favorable FICO migration, 2006-B also demonstrates a positive credit-tier migration compared with previous transactions, except 2006-A. The top credit tier, 'A+', accounts for 52.6% of the pool compared with 47.0% for 2005-A, though this percentage is significantly lower than the 71.83% for 2006-A. Collectively, credit tiers 'A+' and 'A' comprise 67.65% of the 2006-B pool compared with 87.26% (2006-A) and 65.12% (2005-A). The high concentration of 'A+' and 'A' loans in the 2006-A pool was attributable to a subvention program launched in late 2005, as evident in the lower APR of 2006-A relative to 2006-B.

*Geographic Concentration — Stable*

Consistent with prior HART transactions, the largest concentrations of receivables are in New York (12.69%) and Florida (9.87%). The next largest states are Texas (6.62%), Maryland (6.16%) and Nevada (4.99%). No other state accounts for more than 5.0% of the pool. Geographic diversification is important to shield the pool from rolling recessions and regional economic downturns.

Collateral Attributes

*Manufacturer/Brand Diversification — Stable*

Of the vehicles in 2006-B, 89.62% are originated by Hyundai dealerships and 10.38% by Kia dealerships. Kia represented 6.73% of the vehicles in 2006-A and 10.45% in 2005-A. In general, Kia loans comprising the 2006-B pool have slightly longer original terms and marginally lower FICO scores than Hyundai loans. Top models include the Sonata (30.58%), Santa Fe (14.89%) and Elantra (14.81%).

*Segment Concentrations — Not Available*

*Model-Year Concentrations — Stable*

The majority of collateral under the 2006-B transaction relates to the 2006 model year (71%), followed by model-year 2005 (19%) and model-year 2007 (8%). Recent model-year concentrations should help to strengthen recovery rates.

Collateral Summary

*Borrower Attributes*

Obligor Credit Quality	Stable
Geographic Concentration	Stable

*Collateral Attributes*

Manufacturer Diversification	Stable
Segment Concentrations	Not Available
Model-Year Diversification	Stable
New Versus Used Vehicles	Improving

*Loan Attributes*

Original Loan Term	Weakening
Seasoning	Stable
Principal Balance	Stable
APR	Stable

Collateral Comparison\*

(As of Statistical Calculation Date)

	HART 2006-B	HART 2006-A	HART 2005-A	HART 2004-A	HART 2003-A
Principal Balance (\$ 000)	1,000,174	1,000,893	855,479	807,851	815,463
Prefund. Account Balance (\$ 000)	—	—	—	—	—
New (%)	97.8	97.5	96.7	96.2	95.4
Used (%)	2.2	2.5	3.3	3.9	4.6
Certified Preowned (%)	—	—	—	—	—
No. of Automobile Loans	57,711	61,913	52,391	48,534	52,845
Average Principal Balance (\$)	17,331	16,166	16,329	16,645	15,431
WA APR (%)	8.66	7.73	7.17	7.06	7.30
WA LTV (%)	—	—	—	—	—
Original Term (Months)	65.66	63.63	63.89	63.79	62.30
Remaining Term (Months)	60.51	59.94	59.43	58.76	56.00
Seasoning (Months)	5.14	3.69	4.46	5.03	6.30
Loans < 60 Mos. OT (%)	42.71	51.23	57.80	60.22	62.38
Loans > 60 Mos. OT (%)	57.29	48.77	42.20	39.78	37.62
WA FICO Score**	701	726	691	685	701
WA Internal Credit Score**	—	—	—	—	—
Geographic Concentration (%)					
State 1	12.69 (NY)	12.21 (NY)	10.47 (FL)	12.59 (NY)	8.38 (TX)
State 2	9.87 (FL)	9.02 (FL)	9.15 (NY)	8.72 (FL)	8.12 (FL)
State 3	6.62 (TX)	7.57 (CA)	7.42 (MD)	7.13 (MD)	7.39 (NY)
State 4	6.16 (MD)	6.78 (TX)	7.29 (IL)	6.04 (IL)	6.99 (AR)
State 5	4.99 (NV)	5.87 (IL)	7.21 (CA)	5.77 (TX)	6.94 (CA)

\*The principal balance plus amounts to be purchased with proceeds in the prefunding account (when applicable) will equal the aggregate note balance plus the respective initial overcollateralization level by the initial cut-off date; additional receivables are expected to have characteristics similar to those of the statistical pool. \*\*Total collateral pool. WA – Weighted average. APR – Annual percentage rate. LTV – Loan to value. OT – Original term. FICO – Fair Isaac & Co.

*New/Used Composition – Improving*

New vehicles constitute approximately 97.8% of 2006-B, up slightly from the 97.5% in 2006-A. This is the highest percentage of new vehicles among all prior securitizations. The WA FICO score for new vehicles is 702 compared with 656 for used vehicles in the 2006-B pool. Historical performance suggests that new vehicle loans tend to incur lower gross and net losses than used vehicle loans.

Loan Attributes

*Original Term – Weakening*

HMFC offers a large number of loans with terms longer than 60 months. HMFC's underwriting guidelines limit the longest term loans (66 months or greater) to obligors in the top three credit tiers. Exceptions are made on a case-by-case basis. Consistent with a recent industry trend of longer original term loans, the 2006-B transaction contains 57.29% of loans with original terms of 61+ months, up from 48.77% in 2006-A and 42.2% in 2005-A. Of loans with original terms of 61+ months, 95% belong to the 'A+', 'A' and 'B' credit tiers. However, longer term loans could signal lower quality obligors, as evidenced by lower WA FICO scores on these loans, due to a reliance on an increased term as a means to lower monthly payments and, therefore, can expose the transaction to greater loss frequency under obligor default. Additionally, principal payments on these loans risk trailing the typical depreciation curve, increasing potential loss severity.

*Seasoning – Stable*

The 2006-B transaction has initial seasoning of 5.14 months, up from the 3.69 months in 2006-A and 4.46 months in 2005-A. Pools with higher seasoning will likely experience lower cumulative net losses than unseasoned pools, as a portion of losses would have already occurred prior to securitization.

*Principal Balance – Stable*

The average principle balance of 2006-B is \$17,331, slightly higher than \$16,166 (2006-A), and is consistent with prior transactions. A higher average principal balance subjects the pool to higher loss severity in the event of default by the obligor.



*Annual Percentage Rate — Stable*

The WA APR of 2006-B is 8.66%, up from 7.73% in 2006-A, reflecting, in part, the reduced reliance on incentive programs.

■ Credit Analysis

Static Pool Review

To derive a base-case loss estimate for the 2006-B pool, Fitch analyzed more than five years of quarterly static pool data provided by HMFC for its retail portfolio, separated out by credit tiers. Use of static pool data provides a more accurate estimate for cumulative net losses than aggregate portfolio performance statistics, because the dilutive effects of portfolio growth are removed. Each set of monthly cumulative net loss numbers was graphed to capture trends. WA loss distribution curves were derived and used to forecast cumulative net losses for each of the origination quarters. Fitch then weighted the cumulative net loss projections by the amount of volume originated in each month to develop a base-case cumulative net loss estimate for each credit tier. These figures were weighted by the credit tier composition in HART 2006-B to obtain a base-case cumulative net loss estimate for the transaction.

Loss Estimate

Based on the concentrations in the 'A+' and 'A' tier credits and higher WA FICO in 2006-B, Fitch expects performance more consistent with securitizations prior to 2006-A. The 2006-A transaction contains a higher concentration of 'A+' tier credits than 2006-B and transactions prior to 2006-A. Based on the collateral characteristics and the near-term economic environment, Fitch anticipates lifetime losses of 3.50%.

Credit Enhancement

Initial credit enhancement for the class A notes will be equal to 13.80% of the initial security's principal balance, consisting of 12.30% subordination, 1.00% initial OC (as a percentage of the initial note balance) and a nondeclining 0.50% reserve account. Total credit enhancement is expected to increase to 35.20% of the current adjusted pool balance (current pool balance less the amount in the YSOC) through the use of excess spread. The OC floor remains at 1.25% of the initial adjusted pool balance. Funds on deposit in the reserve account will be used to cover any interest shortfalls and retire any class of notes on the respective final distribution dates, should collections on the receivables prove insufficient in the respective distribution dates.

YSOC Amount

The YSOC is designed to compensate for receivables in the respective pools with interest rates below 8.00%. The YSOC is a predetermined dollar amount calculated at closing for each distribution date as the sum of the excess, if any, of the present value of the scheduled payments for each receivable discounted at its respective APR over the present value of the scheduled payments for each receivable discounted at 8.00%. Fitch believes the YSOC is adequately sized, since it is calculated assuming no defaults and no prepayments. If

Comparison of Initial Credit Enhancement Levels\* (%)

	2006-B	2006-A	2005-A
Capital Structure			
Class A	86.70	87.50	85.25
Class B	4.50	3.00	4.00
Class C	4.30	4.00	3.50
Class D	3.50	3.50	4.25
Initial OC	1.00	2.00	3.00
Total	100.00	100.00	100.00

Forms of Credit Enhancement

Subordination			
Class A	—	—	—
Class B	4.50	3.00	4.00
Class C	4.30	4.00	3.50
Class D	3.50	3.50	4.25
Initial OC	1.00	2.00	3.00
Initial Reserve	0.50	0.50	0.50
Total Initial Credit Enhancement			
Class A	13.80	13.00	15.25
Class B	9.30	10.00	11.25
Class C	5.00	6.00	7.75
Class D	1.50	2.50	3.50

\*Target credit-enhancement levels include target OC equal to 4.0% times the adjusted pool less reserve account, resulting in total target credit enhancement of 35.20% for class A, 23.25% for class B, 12.50% for class C and 4.00% for class D. OC – Overcollateralization.

Comparison of Expected Initial Excess Spread (%)

	2006-B	2006-A
Effective WA APR	9.95	10.55
Servicing Fee	1.00	1.00
Expected Blended Note Rate	5.27	5.12
Expected Initial Excess Spread	3.68	4.43

Effective WA APR – Weighted-average annual percentage rate of pool adjusted by YSOC.

loans with interest rates below the discount rate prepay or default out of the pool, the YSOC schedule does not change. The YSOC is subtracted from the pool balance (the pool balance minus the YSOC is the adjusted pool balance) in calculating the first-priority principal distribution amount (FPPDA), second-priority principal distribution amount (SPPDA), third-priority principal distribution amount (TPPDA) and regular principal distribution amount (RPDA), resulting in additional application of excess interest to turbo pay the class of securities then entitled to receive principal payments.

■ Cash Flow Modeling

Fitch models every auto transaction individually to determine if credit-enhancement levels are capable of sustaining losses under various economic stress scenarios. Stresses are applied to base-case loss assumptions to determine credit enhancement for higher investment-grade ratings.

Once base-case loss estimates for each subset of the receivables pool are derived, they are stressed at the appropriate multiple. Losses are distributed over the life of the collateral in accordance with Fitch’s assessment of historical loss speeds of previous pools. By determining loss speeds, Fitch is able to give credit to portfolio seasoning. Fitch also tests the structure by distributing losses along different vectors. Front-, mid- and back-loaded curves are run to ensure that a distribution outside historical patterns would not affect bondholders, given that payment priorities are concurrent.

Within the cash flow, the collateral balance is reduced through either principal collections or losses, both of which are passed through to investors as principal payments. Under Fitch’s stress scenarios, losses and delinquencies are increased, while recovery rates are decreased. Unless excess spread, OC and the reserve account balance are sufficient to cover losses, a shortfall in principal payments to investors will occur. Under a stressed environment, excess spread is compressed further since no interest is collected on delinquent loans. Prepayment stresses, which reduce the availability of excess spread, also are considered.

Modeling Comments

- Various default speeds were assumed in order to test the structure’s ability to withstand different default distributions. Front- and back-loaded curves were employed.
- The servicing fee (1.0%) was modeled at the top of the waterfall.
- Delinquent interest stresses were applied to account for uncollected collateral interest arising from delinquencies.
- Recoveries were assumed at a constant rate, as the collateral aged.
- Recovery lags were included to address timing extensions between repossession, liquidation and receipt of sale proceeds.
- Securitization and portfolio voluntary prepayment speeds also were reviewed.
- Cash flows were run at 1.5% Absolute Prepayment Speed (ABS).

Stress Scenarios Results

Under Fitch’s ‘AAA’, ‘AA’, ‘A’ and ‘BBB’ rating scenarios, the class A, B, C and D notes can withstand approximately 5.28 times (x), approximately 4.11x, approximately 3.00x, and approximately 2.22x cumulative net losses, respectively, while sustaining higher delinquencies and lower recovery rates than currently experienced on HMFC’s retail portfolio. Under the

Sample Stress Scenario Assumptions	
Assets (%)	<b>Class A</b>
<b>Prepayments (ABS)</b>	
Class A	1.50
<b>Default Speed</b>	
Year 1	35
Year 2	35
Year 3	20
Year 4+	10
Recovery Rate	50
Recovery Lag (Mos.)	3
Liabilities (%)	
Annual Servicing	1.00
WA Bond Coupon (Initial)	5.27
Break-Even Results	
Collateral Losses Covered at Default Speed	
Loss Coverage Multiple (x)	Approx. 5x
Expected Rating	‘AAA’
<small>ABS – Absolute prepayment speed. WA – Weighted average.            Note: Table represents assumptions of one sample stress scenario.            Multiple stress scenarios were analyzed in the evaluation of this transaction.</small>	



scenarios, full payments of principal and interest in accordance with the terms of the underlying legal documents were made to the respective classes of notes.

## ■ Structural Considerations

The owner trust structure allows for a versatile allocation of total collections (principal and interest) to the notes.

### *Interest Allocation*

Monthly interest is allocated first to the class A notes on a pro rata basis and then sequentially to the class B, C and D notes. Interest payments to subordinate notes may be suspended if a more senior class becomes undercollateralized. In this situation, interest payments that would have been used to pay subordinate interest are used instead to pay principal on the more senior notes to collateralize the notes fully.

These events are described as FPPDA, SPPDA, TPPDA and RPDA and are detailed in the following sections.

### *Principal Allocation*

Amounts on deposit in the principal distribution account (the aggregate amount on deposit in the FPPDA, SPPDA, TPPDA and RPDA) are allocated to the class A-1 notes until they are paid in full. Thereafter, principal is distributed in a manner to obtain target enhancement levels for each class of notes. For target enhancement levels for each class of notes, see table on page 7 for more detail.

The transaction is sequential-pay until the class A target credit-enhancement level (35.20%) is reached, whereupon principal payments are distributed to class A notes and subordinate notes in such a manner that the target enhancement level is maintained. The class C and D notes do not receive principal payments until the class B notes reach the target enhancement level of 23.25%. Likewise, the class D notes are not paid principal until class C notes obtain the targeted 12.50% total enhancement. Certificate holders will not receive any payment until the target level of 4.00% is reached for the class D notes.

The payment priority not only includes allowing principal to be distributed after target credit-enhancement levels are met but also allows for a return to sequential distributions should target credit-enhancement levels not be maintained. The payment allocation can return to multiple classes once enhancement is restored at target levels.

### *FPPDA*

The purpose of the FPPDA is to ensure that the pool balance less the YSOC at the end of the collection period preceding any distribution date is at least equal to the class A note balance. If the class A note balance is greater than the pool balance less the YSOC, the class A undercollateralized amount will be paid from the collection account balance prior to any interest distribution made to the subordinated classes. In other words, if the class A notes are undercollateralized, the class A noteholders will have the benefit of the available amount in the collection account that otherwise would be used to pay interest on the subordinated classes.

### *SPPDA*

The purpose of the SPPDA is to ensure that the pool balance less the YSOC at the end of the collection period preceding any distribution date is at least equal to the sum of the class A and B note balances. If the sum of the class A and B note balances is greater than the adjusted pool balance, such undercollateralized amount net of the FPPDA will be paid from the collection account balance as the SPPDA, prior to any interest distribution made to the class C and D notes.

### *TPPDA*

If the sum of the class A, B, and C securities balance is greater than the outstanding adjusted pool balance, such undercollateralized amount net of the FPPDA and SPPDA will be paid from the collection account balance as the TPPDA, prior to any interest distribution made to the class D notes.

## *RPDA*

The RPDA is designed to ensure principal allocation to the class D notes. On any distribution date, the RPDA is defined as the aggregate note balance over the adjusted pool balance minus the target OC amount. The RPDA amount cannot exceed the balance of notes outstanding adjusted for FPPDA, SPPDA and TPPDA amounts

## Payment Priority

The priority of payments is as follows:

- Servicing fee (1% per annum).
- Class A interest.
- FPPDA.
- Class B interest.
- SPPDA.
- Class C interest.
- TPPDA.
- Class D interest.
- RPDA.
- Reserve account.
- Excess to certificate holders.

## Events of Default

To protect the noteholders from issuer insolvency or deterioration in receivables quality, the trust includes several events of default, as listed below. Fitch believes the occurrence of these events is unlikely. More specifically, events of default caused by the deterioration of the receivables of the magnitude described in the first two events are beyond Fitch's rating criteria for the notes, as ratings are to first-dollar loss.

Events of default cover missed payments, breach of representations and warranties, and bankruptcy and insolvency events. The occurrence of an event of default may result in the suspension of payments of interest and principal to the subordinate classes.

Following the occurrence and continuation of an event of default and an acceleration of notes, the priority of payments changes to the following order:

- Servicing fee.
- Interest to class A notes ratably.
- Principal on class A-1 notes.
- Principal on class A-2, A-3 and A-4 notes ratably.
- Class B interest.
- Principal on class B notes.
- Class C interest.
- Principal on class C notes.
- Class D interest.
- Principal on class D notes.

## Determination of Legal Maturity

Legal final maturity dates for each class are established by determining the date on which each specific class of notes will be paid in full when amortizing the pool with 0% prepayments and 0% defaults and adding an additional three months to the result for the class A-2 and class A-3 notes, as well as an additional nine months to the result for the class A-4 notes. For the most junior bond, the legal final date is determined by adding six months to the longest contract maturity date to account for extensions and recoveries.

### Money-Market Tranche Sizing

Fitch's criteria for money market sizing are to amortize the pool with 0% defaults and a 0.5% ABS. The amount of collateral repaid in the first 13 months is the maximum allowable money market size. The money market sizing for the class A-1 notes meets Fitch's criteria.

## ■ Operations Review

### Originations

Dealer sales and marketing are handled by a team of 39 dealer finance managers whose duties include visits to dealers to act as a liaison between HMFC and the dealerships regarding issues such as credit criteria, guidelines, promotional financing programs and customer service. In mid-2003, HMFC received the endorsement of Kia Motors to be an approved lender to Kia dealers in the United States. In October 2003, HMFC began purchasing retail installment contracts from Kia dealers. From inception, Kia business has been underwritten according to the same standards as Hyundai business.

### Underwriting

In 1999, HMFC replaced its old credit-scoring system with FICO scores from credit bureau reports, along with other deal parameters, and initiated development of a custom scorecard. Under the credit scoring implemented in 1999, information, such as an applicant's expenses, income, credit history, employment history and credit report, was obtained to assess the credit borrower's capabilities. Once the application was submitted for underwriting and credit approval, one of three major credit bureaus (Experian, Equifax or TransUnion) was used to assess the borrower's risk by examining his or her credit history. Applicants were sorted into 'A', 'B', 'C' and 'D' credit tiers, with 'A' being the highest, while 'C' and 'D' might be considered nonprime. Applications were classified further into one of three categories: clean; conditional (approved but on modified terms); or declined. Dealers were then notified of the applicant's outcome. In 2002, HMFC applied tighter bands on the FICO scores to align itself with industry peers. HMFC introduced an 'A+' credit tier, which was carved out of the 'A' credit tier. In December 2003, following the successful completion of the custom scorecard development project phase, the underwriting process was improved through adaptation of the scorecard. A custom scorecard is used to assign an internal credit score to an applicant. Upon scoring, applicants are classified into appropriate credit tiers from 'A+' to 'D'. In February 2005, minor changes were made to certain score bands on a regional basis. These positive changes in internal underwriting criteria have been evident in the recent improvement in several parameters that Fitch considers when evaluating an originator's borrower profile, credit-tier distributions, annual percentage rates (APRs), and new and used vehicle composition. The change also has translated into improved loss and delinquency rates. Total delinquencies as a percentage of the total serviced portfolio dropped following implementation of the new policy to 2.85% in 2005 from 2.95% in 2004 and have further dropped to 2.65% as of Sept. 30, 2006. The analysis of static pool data also demonstrated a similar continuing decrease in loss rates for later originations. The decrease was consistent for all credit tiers on a static pool basis. These positive changes in internal underwriting criteria have been evident in the recent improvement in several parameters that Fitch considers when evaluating an originator's borrower profile, credit-tier distributions, APRs, and new and used vehicle composition.

### Servicing

Approximately 188 employees work in the collection and customer service departments in HMFC's servicing location in Fountain Valley, Calif. Customer billing is sent about 20 days prior to the due date via mail. Collection activities on delinquent accounts usually begin 11 days after the payment due date. An automated system is used to track delinquent accounts, according to priority. Contact with a delinquent borrower is initiated through phone and letter. Repossession procedures begin after approximately 75 days' delinquency but may begin sooner or later if warranted. Once a vehicle is repossessed, assessments are made on the vehicle's condition, and then it is placed for auction. Extensions and deferments are provided to assist customers when an unexpected situation prevents them from making their account payments. There is a limit of six extensions or deferments per account of generally one month.

Transaction Comparison

	<b>HART 2006-B*</b>	<b>DCAT 2006-B</b>	<b>HAROT 2006-B</b>
Aggregate Balance (\$)	1,000,174,223	1,624,999,984	1,269,996,911
Average Original Principal Balance (\$)	—	—	—
Average Current Principal Balance (\$)	17,331	16,227	17,826
Number of Loans	57,711	100,179	71,243
WA APR (%)	8.66	7.17	7.19
WA LTV (%)	—	—	—
WA FICO	701	709	726
WA Original Term (Months)	65.7	63.9	57.8
WA Remaining Term (Months)	60.5	50.3	53.5
Seasoning (Months)	5.1	13.6	4.2
Loans < 60 Mos. OT (%)	57.3	46.8	0.0
Loans > 60 Mos. OT (%)	42.7	43.2	100.0
New Vehicles (%)	97.8	91.5	84.9
Used Vehicles (%)	2.2	8.6	15.1
Certified Preowned (%)	—	—	—
Geographic Distribution (%)			
State 1	12.7 (NY)	11.5 (TX)	17.3 (CA)
State 2	9.9 (FL)	8.9 (CA)	9.7 (TX)
State 3	6.6 (CA)	6.9 (FL)	6.5 (FL)
State 4	6.2 (MD)	5.2 (PA)	6.2 (NJ)
State 5	4.9 (NV)	4.2 (IL)	4.9 (GA)
Credit Enhancement (%)			
Surety Provider	—	—	—
Class A (Initial)	13.80	5.00	3.75
Class B (Initial)	9.30	N.A.	N.A.
Class C (Initial)	5.00	2.00	N.A.
Class D (Initial)	1.50	N.A.	N.A.
Class A (Target)	35.20		
Class B (Target)	23.25		N.A.
Class C (Target)	12.50	N.A.	N.A.
Class D (Target)	4.00	N.A.	N.A.
Fitch Ratings			
Class A**	'AAA'	'AAA'	'AAA'
Class B**	'AA'	'A+'	N.A.
Class C**	'A'	N.A.	N.A.
Class D**	'BBB'	N.A.	N.A.

\*As of the statistical pool cut. \*\*For the Hyundai Auto Receivables Trust 2006-B (HART) transaction, these ratings are expected. WA – Weighted average. APR – Annual percentage rate. LTV – Loan to value. FICO – Fair Isaac & Company. OT – Original term. N.A. – Not applicable. HART – Hyundai Auto Receivables Trust. DCAT – Daimler Chrysler Auto Trust. HAROT – Honda Auto Receivables Owner Trust.

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