CARMAX®

12800 Tuckahoe Creek Parkway • Richmond, VA 23238

August 2, 2010

By E-mail: rule-comments@sec.gov

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Re: Proposed Rules for Asset-Backed Securities
File No. S7-08-10; Release Nos. 33-9117, 34-61858

Dear Ms. Murphy:

CarMax, Inc. ("CarMax") welcomes the opportunity to comment on the proposed new and amended rules ("Proposed Rules") pertaining to asset-backed securities ("ABS"). We are part of the group of Vehicle ABS Sponsors that submitted a comment letter to the Securities and Exchange Commission (the "Commission") on or about August 2, 2010 (the "Group Letter"). We support the positions taken in the Group Letter. We write separately solely to highlight certain matters in more detail.

CarMax is the nation's largest retailer of used vehicles. We are also an active participant in the auto loan ABS ("Auto ABS") market. We currently maintain an Auto ABS portfolio with a value in excess of $4 billion. Since 2001, we have accessed the Auto ABS market twenty-four times, issuing securities backed by pools of collateral with a value of approximately $14 billion.

The Auto ABS market allows us to extend financing to more than 100,000 customers each year. If the cost of accessing this market increased, it would have a negative impact on our ability to extend financing, which would harm our business and, ultimately, harm consumers.

Risk Retention

We concur with the Commission's position that risk retention is important in aligning the interests of Auto ABS issuers and investors. However, as noted in the Group Letter, the risk retention that has been utilized in the vast majority of Auto ABS issuances over the past twenty years—retention by the sponsor of a "horizontal slice" that is subordinate to the issued securities—provides all the benefits of "skin in the game" that are described in the Proposed Rules. Requiring retention of a "vertical slice" would be detrimental to CarMax.

I. CarMax's Risk Retention

CarMax has retained a horizontal, subordinated residual interest in each of its securitization transactions. This interest has been comprised of the present value of the excess funds projected to be released to CarMax over the remaining term of the securitizations (including excess cash flows, reserves and overcollateralization releases) (collectively, the "Residual Cash Flows"). Over the last five years, our interest in the Residual Cash Flows as a percentage of the balance of our outstanding securitized receivables has, on average, exceeded six percent, and exceeds the quantitative requirement proposed in the Proposed Rules.[1]

We have retained this substantial interest not in the most senior portions of the securitization structures, but in subordinated, horizontal slices constituting the riskiest, first-loss positions. Because we are a fully-integrated issuer—originating, securitizing and servicing 100% of the loans backing our Auto ABS —we are intimately familiar with the collateral and are comfortable assuming the risk of a first-loss position. Because our investors understand that we are first in line to take any financial "hit," they are comfortable as well.

The table below provides the present value[2] of CarMax's retained interest in the Residual Cash Flows as a percentage of our outstanding securitized receivables for each of the past five years:

Fiscal Year Ended 2/28 or 2/29

2010	2009	2008	2007	2006
7.38%	6.54%	5.93%	6.11%	5.71%

II. The Importance of the Residual Cash Flows

We believe that the Residual Cash Flows should be included as a form of risk retention. Despite recent economic challenges, this form of risk retention has proven effective. CarMax, not any of our securitization investors, has absorbed all losses resulting from defaults in our underlying receivables. By retaining the Residual Cash Flows, which historically have provided a meaningful contribution to CarMax's overall profitability, we have a vested and investor-aligned interest in ensuring that neither we, nor the investors in a more senior position, suffer losses on our securitizations. Investor losses

---

[1] Furthermore, during the past three years and in response to then-current market conditions, we have also retained certain "A" and "BBB" rated subordinated notes in conjunction with certain of our securitization transactions. During this three year period, our interest in the Residual Cash Flows combined with our interest in these subordinated notes has, on average, exceeded ten percent of the balance of our outstanding securitized receivables.

[2] The present values were calculated using gain-on-sale accounting methodology (using a conservative discount rate between 12% an 19%) and were calculated net of losses.

would negatively impact our ability to fund our finance operation through the ABS market and adversely affect the CarMax business.

Given the quality of our collateral and our existing "skin in the game" through the retention of the Residual Cash Flows, it is not surprising that investors in our securitizations have never suffered a missed interest payment or a principal loss.

III. The Harm of Requiring Retention of a Vertical Slice

If CarMax were required to retain a "vertical slice" of each securitization, it would reduce the profit contribution from our finance operation, which would be detrimental to our business as a whole. It would increase our funding costs and reduce our ability to extend credit to our customers. In addition, the Group Letter is correct to point out that if Auto ABS issuers were required to retain a "vertical slice," they would likely end up retaining both a "vertical slice" and a "horizontal slice," as investors would continue to demand the retention of subordinated, horizontal "skin in the game."

In sum, the "vertical slice" risk retention requirement in the Proposed Rules would be detrimental to our business and our customers, while offering no additional protection to investors. This is why we support the risk retention proposal set forth in the Group Letter.

Conclusion

We appreciate the SEC's hard work in promulgating the Proposed Rules and we hope that our additional comments assist the Commission's ABS rulemaking efforts. We would be happy to discuss any of the points raised in this letter in person.

Sincerely,

CarMax, Inc.

By: ______________________________
Thomas W. Reedy
Senior Vice President, Finance
and Treasurer