S&P Global
Ratings

Research

Presale:

Santander Drive Auto Receivables Trust 2023-2

May 4, 2023

(***Editor's Note:*** *Since assigning preliminary ratings to this transaction on March 8, 2023, the portfolio and deal structure have changed. These changes are reflected below.)*

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)(i)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	140.00	May 15, 2024
A-2	AAA (sf)	Senior	Fixed	415.00	March 16, 2026
A-3	AAA (sf)	Senior	Fixed	214.49	July 15, 2027
B	AA (sf)	Subordinate	Fixed	156.97	May 15, 2028
C	A (sf)	Subordinate	Fixed	247.01	Dec. 16, 2030

Note: This presale report is based on information as of May 4, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The interest rates and the actual size of the tranches will be determined on the pricing date.

Profile

Expected closing date	May 17, 2023.
Collateral	Subprime auto loan receivables.
Originator, sponsor, servicer, and administrator	Santander Consumer USA Inc., a subsidiary of Santander Holdings USA Inc. (BBB+/Stable/A-2).
Depositor	Santander Drive Auto Receivables LLC.
Issuer	Santander Drive Auto Receivables Trust 2023-2.
Indenture trustee and bank account provider	Wilmington Trust N.A. (A-/Stable/A-2).
Owner trustee	Citibank N.A. (A+/Stable/A-1).
Delaware trustee	Citicorp Trust Delaware N.A.

Rationale

The preliminary ratings assigned to Santander Drive Auto Receivables Trust 2023-2's (SDART 2023-2) automobile receivables-backed 2023-2 notes reflect:

- The availability of approximately 52.89%, 45.95%, and 35.08% credit support (hard credit enhancement and haircut to excess spread) for the class A (collectively, classes A-1, A-2, and A-3), B, and C notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 3.40x, 2.95x, and 2.25x our 15.50% expected cumulative net loss (ECNL) for the class A, B, and C notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections).
- The expectation that under a moderate ('BBB') stress scenario (1.70x our expected loss level), all else being equal, our preliminary 'A-1+ (sf)', 'AAA (sf)', 'AA (sf)', and 'A (sf)'ratings on the class A-1, A-2 and A-3, B, and C notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section).
- The timely interest and principal payments made by the designated legal final maturity dates under stressed cash flow modeling scenarios appropriate to the assigned preliminary ratings.
- The collateral characteristics of the subprime automobile loans securitized in this transaction, our view of the credit risk of the collateral, and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections).
- The series' bank accounts at Wilmington Trust N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Santander Consumer USA Inc. (SC) as servicer and our views of the company's underwriting practices.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are relatively in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for SDART 2023-2 is 15.50%, which is unchanged from the 2023-1 transaction. It reflects:

- The weaker performance of SDART's 2022 transactions, including slightly worse-than-expected performance on its series 2022-3 transaction, albeit the transaction has only 11 months of performance. This was the first SDART transaction we rated after series 2020-1.
- Our view that the SDART 2023-2 collateral characteristics are similar to those of the 2023-1 series.
- Our forward-looking view of the auto finance sector, including our outlook for a shallow recession this year and lower recovery rates.

ESG Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, to social credit factors as average, and to governance credit factors as below average (see "ESG Industry

Report Card: Auto Asset-Backed Securities," published March 31, 2021).

The transaction's exposure to ESG credit factors is in line with our sector benchmark. We generally view environmental credit factors as above average because the collateral pool primarily consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery values adequately account for vehicle values over the transaction's relatively short, expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

We believe the transaction has relatively higher exposure to social credit factors than our sector benchmark due to the transaction's pool of subprime obligors versus the benchmark's pool of prime obligors, which, given the elevated interest rate and affordability considerations for these subprime borrowers, could increase legal and regulatory risks if the validity of the contracts or the servicer's collection practices are challenged. We believe this risk is mitigated by representations made by the issuer that each loan when originated complied with all laws. In addition, the issuer has a compliance department that manages its adherence to all applicable laws.

Credit Enhancement And Collateral

Structural changes from series 2023-1

- The initial hard credit enhancement decreased for classes A, B, and C to 51.00%, 40.80%, and 24.75% from 52.25%, 42.40% and 26.50%, respectively (see table 1).
- Subordination increased for classes A and B to 26.25% and 16.05%, respectively, from 25.75% and 15.90%.
- Overcollateralization decreased to 23.75% (from 25.50%) of the initial collateral pool balance and will grow to 32.50% (from 35.00%) of the current collateral pool balance plus 2.00% of the initial collateral pool balance.
- The estimated excess spread increased to 8.46% (pre-pricing) from 8.52% (post-pricing).
- The reserve of 1.00% of the initial collateral pool balance remains unchanged.

Our stressed cash flow analysis indicates that the notes are credit enhanced to the degree appropriate for the assigned preliminary ratings.

Table 1

Credit enhancement summary (%)

	SDART				
	2023-2	2023-1	2022-7	2022-6	2022-5
Subordination(i)					
Class A(ii)	26.25	25.75	22.15	31.40	30.90
Class B	16.05	15.90	13.25	22.15	21.90
Class C	0.00	0.00	0.00	11.40	11.15
Class D	N/A	N/A	N/A	0.00	0.00
Overcollateralization					
Initial(i)	23.75	25.50	22.35	12.80	13.60

Table 1

Credit enhancement summary (%) (cont.)

	SDART				
	2023-2	2023-1	2022-7	2022-6	2022-5
Target(iii)	32.50	35.00	30.90	22.80	23.60
Floor(i)	2.00	2.00	1.50	1.50	1.50
Reserve(i)					
Initial	1.00	1.00	1.00	1.00	1.00
Target	1.00	1.00	1.00	1.00	1.00
Floor	1.00	1.00	1.00	1.00	1.00
Total initial hard credit enhancement(i)					
Class A(ii)	51.00	52.25	45.50	45.20	45.50
Class B	40.80	42.40	36.60	35.95	36.50
Class C	24.75	26.50	23.35	25.20	25.75
Class D	N/A	N/A	N/A	13.80	14.60
Estimated annual excess spread(iv)	8.46	8.52	7.15	6.92	6.99

(i)Percentage of the initial collateral pool balance. (ii)Class A represents classes A-1, A-2, and A-3, collectively. (iii)Percentage of the current collateral pool balance plus 2.00% of the initial collateral pool balance for 2023-2 and 2023-1 and 1.50% for the other transactions. (iv)Includes a 3.00% servicing fee and is pre-pricing for series 2023-2 and post-pricing for other series. SDART--Santander Drive Auto Receivables Trust. N/A--Not applicable.

Collateral changes from series 2023-1

The significant collateral changes in the SDART 2023-2 statistical pool (as of April 23, 2023) from SDART 2023-1's final pool (as of Dec. 31, 2022) include that:

- The weighted average seasoning decreased to 5.3 months from 7.2 months.
- The weighted average percentage of new vehicles decreased to 28.87% from 30.42%.
- The percentage of loans with original terms of 61-72 months increased to 81.18% from 78.80%, while the percentage of loans with original terms of 73-75 months decreased to 13.71% from 16.23%.
- The weighted average percentage of loans with a loss forecast score (LFS) of 450 and lower decreased to 2.08% from 6.66%.
- The weighted average percentage of loans with a FICO score in the 601 and higher category increased to 45.91% from 43.44%, while the weighted average percentage of loans with no FICO score obligors decreased to 9.83% from 10.77%.

We believe the SDART 2023-2 collateral pool is generally on par with that of SDART 2023-1 (see table 2). We have factored this into our expected loss for SDART 2023-2 (see the S&P Global Ratings' Expected Loss section).

Table 2

Collateral comparison(i)

	SDART						
	2023-2	2023-1	2022-7	2022-6	2022-5	2022-4	2022-3
Pool balance (bil. $)	1.607	1.406	1.053	2.057	2.215	1.961	1.768
Avg. original principal balance ($)	26,212	26,335	26,162	28,143	27,405	27,103	26,324
WA APR (%)	17.39	16.60	16.30	15.18	14.72	14.56	14.49
WA original term (mos.)	72	72	72	71	71	71	71
WA remaining term (mos.)	66	65	65	69	65	65	64
WA seasoning (mos.)	5	7	7	2	5	6	7
Loans with an original term of 61-72 months (%)	81.18	78.80	79.33	81.09	75.86	75.70	73.44
Loans with an original term for 73-75 months (%)	13.71	16.23	15.35	12.05	16.03	16.39	18.52
WA LTV ratio (%)	107.35	105.97	106.58	105.36	105.88	105.89	105.83
WA LTV ratio for 73-75 months (%)	101.34	102.19	102.49	101.25	101.54	100.61	100.05
WA FICO score(ii)	603	602	600	600	601	601	601
WA FICO score for 73-75 months	605	602	600	597	602	596	600
No FICO score (%)	9.83	10.77	9.66	9.09	8.68	7.49	7.81
FICO score 500 and less (%)	3.51	4.75	4.37	4.66	5.51	3.75	5.05
FICO score 501-600 (%)	40.75	41.04	42.69	44.70	40.85	44.89	42.40
FICO score 601 and greater (%)	45.91	43.44	43.28	41.55	44.96	43.87	44.74
WA LFS	537	536	535	536	536	537	537
WA LFS for 73-75 months	538	529	530	531	536	534	536
LFS 450 and lower (%)	2.08	6.66	5.76	9.36	9.79	7.03	7.76
LFS 451-550 (%)	64.22	57.05	60.58	54.23	52.34	57.08	55.57
LFS 551-650 (%)	29.98	31.25	28.39	29.59	30.92	28.88	29.17
LFS 651 and higher	3.72	5.04	5.27	6.83	6.95	7.05	7.50
New vehicles (%)	28.87	30.42	28.82	23.76	24.32	26.57	28.97
Used vehicles (%)	71.13	69.58	71.18	76.24	75.68	73.43	71.03
Top five state concentrations (%)							
	TX=18.19	TX=18.48	TX=19.03	TX=18.06	TX=19.00	TX=17.99	TX=18.16
	FL=12.92	FL=11.90	FL=8.56	FL=13.00	FL=12.46	FL=12.10	FL=12.46

Table 2

Collateral comparison(i) (cont.)

	SDART						
	2023-2	2023-1	2022-7	2022-6	2022-5	2022-4	2022-3
	CA=8.26	CA=8.01	CA=7.63	CA=8.01	CA=8.16	CA=7.54	CA=7.27
	NY=4.05	GA=4.40	GA=4.55	NC=4.26	GA=4.49	PA=5.59	MD=4.87
	PA=4.00	NY=4.25	NC=4.54	GA=4.23	NC=4.24	MD=4.63	GA=4.22
S&P Global Ratings' original expected lifetime CNL (%)	15.50	15.50	13.50	13.00-14.00	13.00-14.00	13.00-14.00	13.00-14.00

(i)All percentages are of the initial collateral pool balance. (ii)Original FICO score; excludes loans to obligors with no FICO scores. SDART--Santander Drive Auto Receivables Trust. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value. LFS—-Loss forecast score. CNL--Cumulative net loss.

Macroeconomic And Auto Finance Sector Outlook

In our view, changes in the unemployment rate are a key determinant of charge-offs in the auto finance industry. We have also observed that recovery values tend to weaken during recessionary periods.

In our analysis, we considered the economic data and forecasts outlined in table 3, and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.70% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses will need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.40% in early 2025 and then decline in late 2025.

Inflation remains a concern because it is eroding wage gains and the savings cushion that was built during the COVID-19 pandemic, particularly for those with lower incomes and smaller cushions.

Table 3

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	0.7	1.2	1.8	2.0
Unemployment rate (% annual average)	3.7	4.1	5.0	5.1	4.6
Consumer Price Index (% annual average)	8.0	4.2	2.4	1.6	1.5

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to normalize to historical levels.

S&P Global Ratings' Expected Loss: 15.50%

We determined our expected loss for SDART 2023-2 by analyzing:

- The outstanding series' performances, paying particular attention to SDART's more recent transactions, which are exhibiting slightly higher losses and lower recovery rates than they have historically (see charts 1-4);
- SDART's origination static pool performance, focusing primarily on that from July 2021 and forward;
- The series 2023-2's collateral characteristics relative to those of other outstanding SDART series (see table 2); and
- SC's managed portfolio performance (see table 4).

We placed more emphasis on recent origination static pool analysis and outstanding series performance (particularly from 2022) when determining the expected loss for this series. We also complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section). Overall, we expect SDART 2023-2 notes to experience lifetime CNLs of 15.50%, which remains unchanged from series 2023-1.

Managed portfolio

SC's managed portfolio grew approximately 12.00% to $29.38 billion as of Dec. 31, 2022, from $26.24 billion as of year-end 2019 (see table 4). This growth coupled with enhanced unemployment benefits and government stimulus payments, as well as strong recovery rates, have served to keep losses lower than pre-COVID-19 pandemic periods. However, losses continue to normalize, and 60-plus day delinquencies rose to 6.18% as of Dec. 31, 2022, which is slightly higher than the 5.83% reported at year-end 2019. We expect continued normalization of performance given the expiry of stimulus programs and weaker recovery rates.

The portfolio includes SC's deep subprime shelf, DRIVE, which may overstate delinquencies and losses associated with SDART-only type loans.

Table 4

Managed portfolio

	As of Dec. 31					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
Principal amount outstanding at end of period (mil. $)	29,389	29,294	27,865	26,243	26,004	23,971
Delinquencies (%)						
31-60 days	9.34	7.55	6.34	10.22	10.95	10.92
61-90 days	4.33	2.98	2.47	4.10	4.43	4.55
90-plus days and bankrupt accounts	1.85	1.29	1.12	1.73	1.94	1.78
Total 31-plus days (% of the principal amount outstanding)(i)	15.52	11.82	9.94	16.05	17.31	17.25

Table 4

Managed portfolio (cont.)

	As of Dec. 31					
	2022	2021	2020	2019	2018	2017
Net loss experience						
Average principal amount outstanding during the period (mil. $)	29,506	28,962	27,129	26,246	25,261	24,894
Annualized net losses (% of the average principal outstanding)	5.15	2.63	5.43	8.98	9.32	9.70

(i)The servicer considers a receivable delinquent when an obligor fails to pay the required minimum portion of the scheduled payment by the due date, according to Santander Consumer USA Inc.'s customary servicing practices in effect at the time the obligor made the scheduled payment.

Origination static pool analysis

SC's static pool loss performance data generally reflect the loan and obligor characteristics of the securitized pool. We analyzed performance data on the origination static pools in aggregate, as well as by cohorts, e.g., original term buckets (less than or equal to 60 months, 62-72 months, and 73-75 months), new-used, LFS, and original term stratified further by LFS consistent with this series' pool. For this transaction, we focused primarily on the origination performance from July 2021 and forward. We projected losses on these newer vintages using a loss curve derived from the 2014 through March 2015 vintages, which had at least 60 months of performance before COVID-19-related government support payments started to be paid. We weighted these projections based on the concentration of the various credit tiers in the series 2023-2 pool to determine various base-case loss proxies.

This analysis was supplemented with an analysis of securitization performance, which, unlike the vintage static pool data, benefits from favorable pool representations, including that none of the loans are more than 30 days delinquent at the time of the cut-off date and all loans will have made their first two payments or SC will buy them back.

SDART transaction performance

We currently have outstanding ratings on nine SDART transactions, three of which are performing in line with or better than our expectations (2019-1, 2019-3, and 2020-1; see table 5 and charts 1-4). The transactions' performances are also influenced by SC's practice of repurchasing contracts from its securitized collateral pools that have not made their first two payments, based on the representation included in the transactions' documents.

In September 2022, we revised our lifetime CNL and raised or affirmed ratings for five SDART series (see "One Rating Raised And Five Affirmed On Five Santander Drive Auto Receivables Trust Transactions," published Sept. 26, 2022).

Table 5

SDART collateral performance and CNL expectations(i)

Series	Month	Pool factor (%)	Current CNL (%)	Initial expected lifetime CNL (%)	Previous revised expected lifetime CNL (%)(ii)	Current revised expected lifetime CNL (%)(iii)
2019-1	50	9.97	6.39	15.75-16.50	8.00 (7.50-8.50)	7.00
2019-3	44	13.83	5.53	15.50-16.25	8.00 (7.50-8.50)	6.75
2020-1	36	20.43	4.74	18.25-19.25	8.00 (7.50-8.50)	6.50
2022-3	11	66.61	4.20	13.00-14.00	N/A	N/A
2022-4	9	74.21	3.29	13.00-14.00	N/A	N/A
2022-5	8	77.43	2.76	13.00-14.00	N/A	N/A
2022-6	7	82.34	1.66	13.00-14.00	N/A	N/A
2022-7	5	87.52	0.46	13.00-14.00	N/A	N/A
2023-1	3	93.02	0.06	15.50	N/A	N/A

(i)As of the April 2023 distribution date. (ii)As of December 2021. (ii)As of September 2022. SDART--Santander Drive Auto Receivables Trust. CNL--Cumulative net loss. N/A--Not applicable.

Securitization performance

In line with the broader market, SC's securitization performance benefited from COVID-19-related stimulus and elevated recovery rates. SC's 2013, 2014, and 2015 securitizations, which paid off before the COVID-19 pandemic started, experienced average CNLs of approximately 13.0%, 12.2%, and 11.8%, respectively (see chart 3). Comparatively, the 2016 vintage trended slightly worse than the 2013-2015 annual vintages until month 42, when COVID-19 benefit payments started to be paid; it paid off with average CNLs of approximately 12.1%. The 2017-2020 annual vintages were favorably impacted to a much greater extent. The 2017 annual vintage paid off with CNLs of approximately 10.0%; the 2018 vintages paid off with a weighted average CNL of 8.0%; and the 2019 and 2020 pools are trending even lower. While strong recovery rates aided CNL performance (see chart 2), lower defaults were also an important factor (see chart 1).

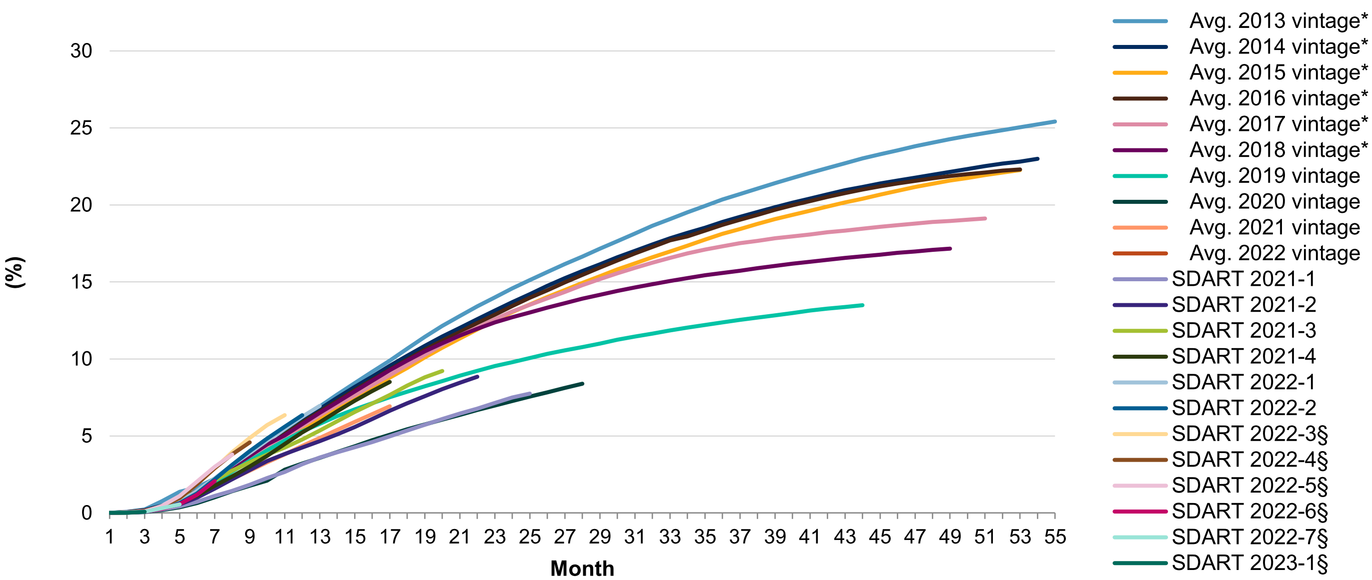
However, recent securitization performance is showing a normalization to historical loss levels, with some of the 2022 pools experiencing higher-than-historical gross and net losses. Losses on the 2021 pools are exceeding those of the record low-loss 2020 securitizations, with the later 2021 deals quickly approaching the 2019 loss levels at the same seasoning point. We would expect losses on the 2021 pools to exceed those of the 2019 deals.

The 2022 securitized pools are displaying early weakness on both a cumulative gross loss (CGL) and CNL basis. While higher CGLs on some of these pools may be due to higher seasoning than prior pools, lower recovery rates appear to be having an impact on CNLs. Management attributes these lower recovery rates to more full balance charge-offs because it is taking longer to repossess vehicles due to the industry-wide shortage of repossession agents. While it's too early to project what losses might be on these pools, given their current higher-than-historical loss levels, we believe some of these pools may lose more than 13.50%, and, as such, we've reflected that in our ECNL of 15.50% for 2023-2.

We believe the higher losses on these more recent pools is attributable to the loss of COVID-19-related support payments, including expanded child tax credit payments that ended in December 2021, inflationary pressures on SDART's consumer base given that food, housing, and transportation represent a relatively high share of their incomes, and competitive pressures in the subprime auto industry. Historically during sustained periods of easy and inexpensive credit, independent auto finance companies loosen their credit box and increase their lending volumes. This often results in higher losses on loans originated during these periods.

Chart 1

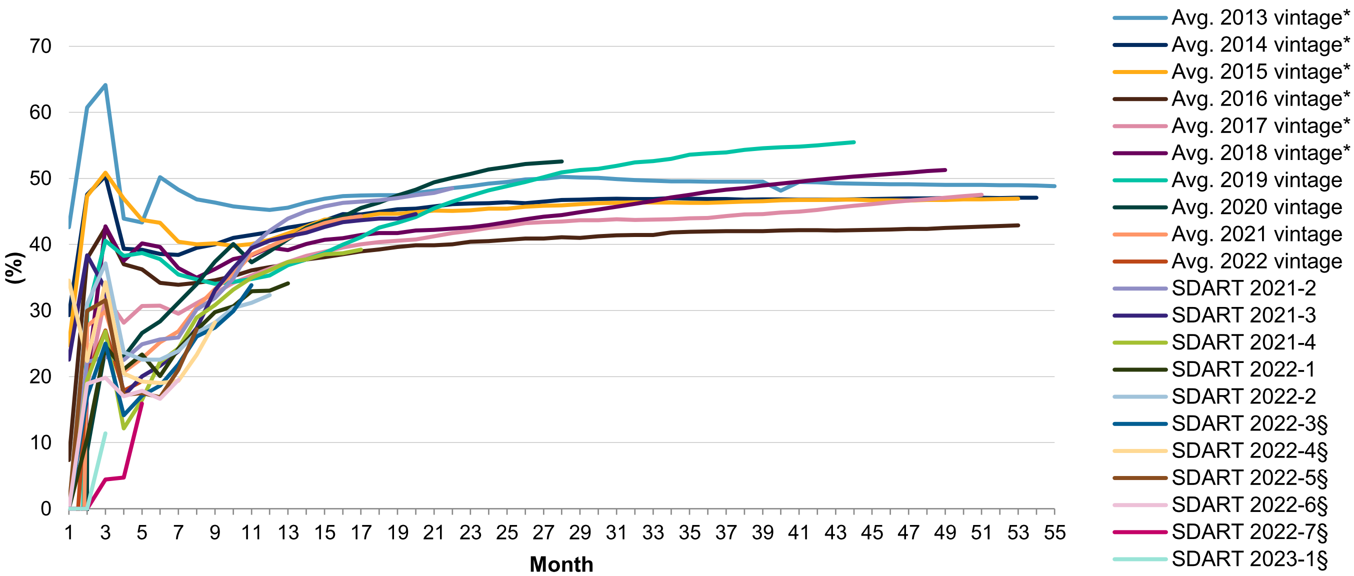
Lifetime cumulative gross losses by securitization--annual vintages



*Vintages from 2013-2018 are paid off. §Rated by S&P Global Ratings. SDART--Santander Drive Auto Receivables Trust.

Chart 2

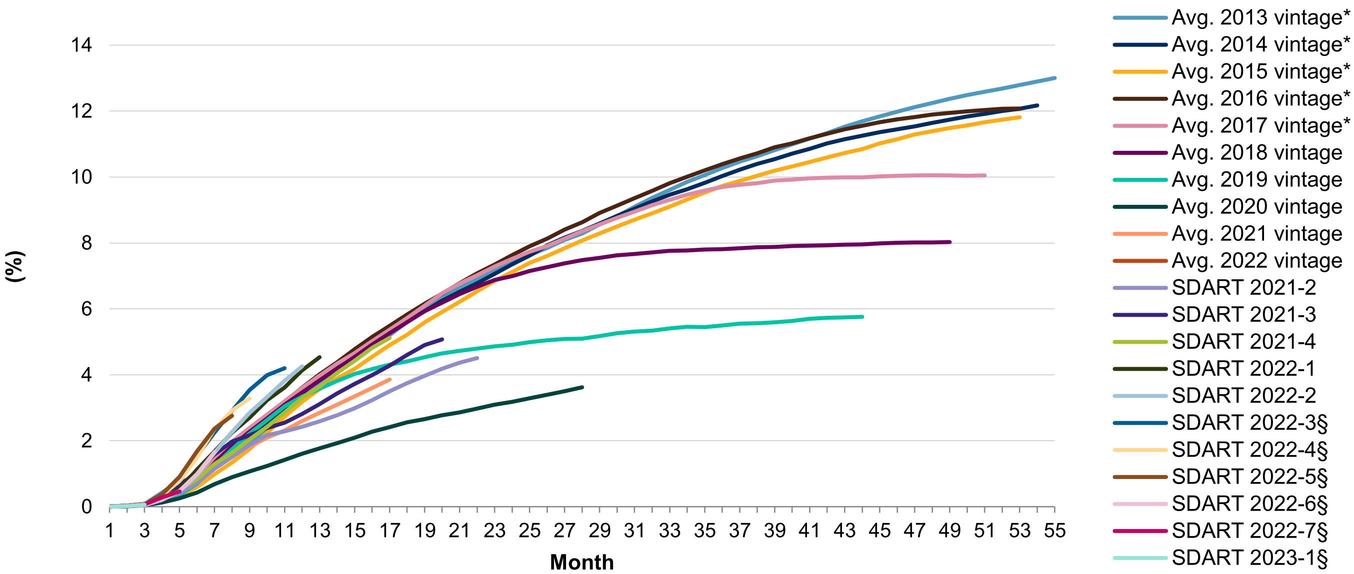
Lifetime cumulative recovery rates by securitization--annual vintages



*Vintages from 2013-2018 are paid off. §Rated by S&P Global Ratings. SDART--Santander Drive Auto Receivables Trust.

Chart 3

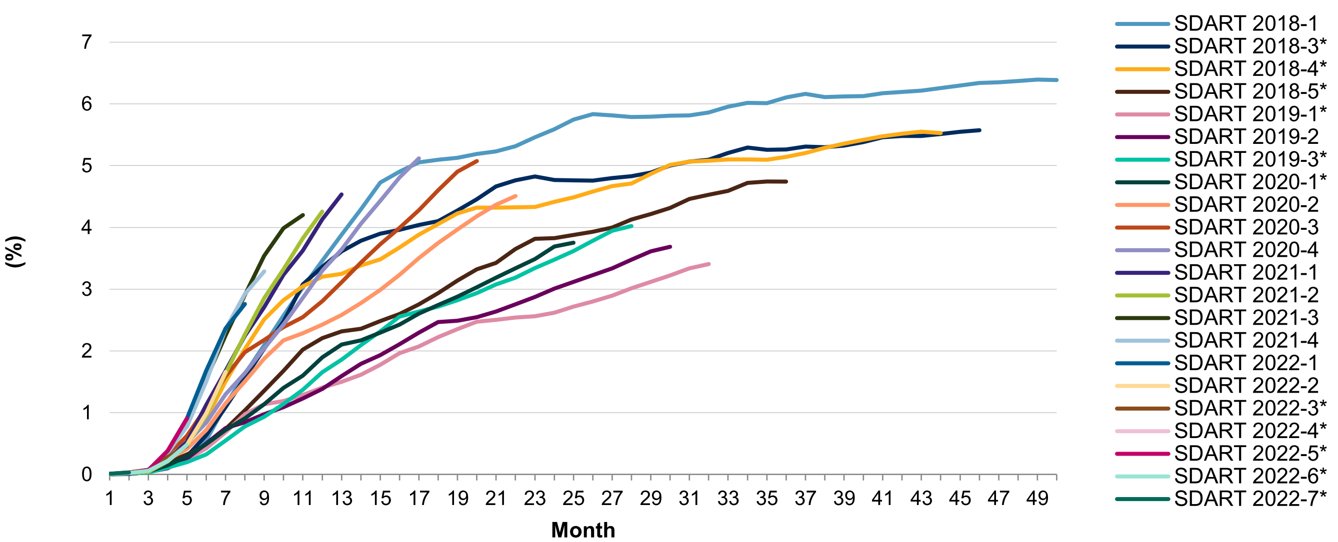
Lifetime cumulative net losses by securitization--annual vintages



*Vintages from 2013-2017 are paid off. §Rated by S&P Global Ratings. SDART--Santander Drive Auto Receivables Trust.

Chart 4

Cumulative net losses by securitization



*Rated by S&P Global Ratings. SDART--Santander Drive Auto Receivables Trust.

Legal Overview And Transaction Structure

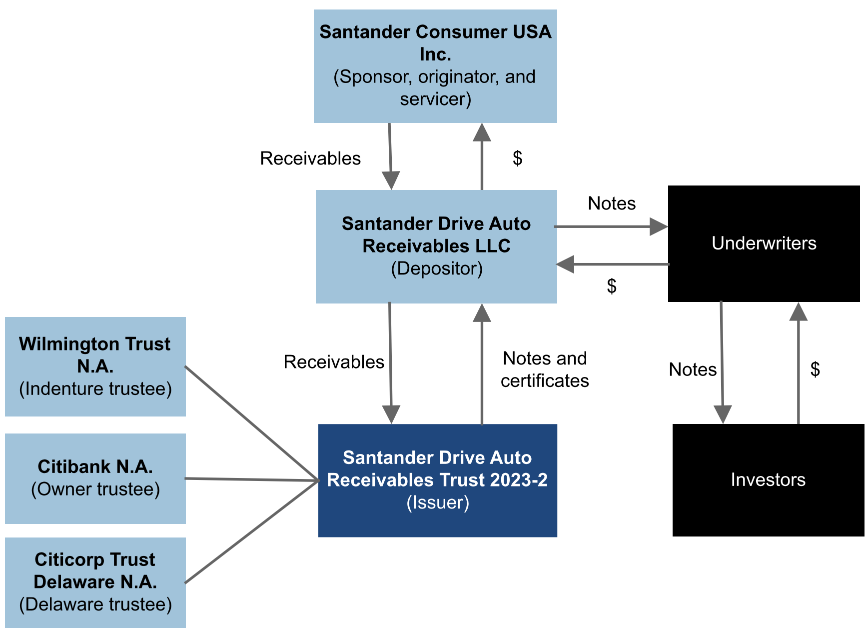
Legal overview

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

The transaction is structured as a true sale of the receivables to Santander Drive Auto Receivables LLC (the depositor) from SC (the originator, sponsor, servicer, and administrator) and then to SDART 2023-2 (the issuer), which has pledged its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 5).

Chart 5

Transaction Structure



Transaction structure

SDART 2023-2 incorporates certain structural features:

- A senior-subordinated, sequential-pay structure in which the senior-most notes outstanding are paid first.
- Overcollateralization of 23.75% of the initial collateral pool balance (as of the cutoff date), which builds to a target of 32.50% of the current collateral pool balance plus 2.00% of the initial collateral pool balance and uses any excess spread available after covering net losses to pay principal on the outstanding notes. The target overcollateralization amount is subject to a floor of 2.00% of the initial collateral pool balance.

- A non-amortizing reserve account that will equal 1.00% of the initial collateral pool balance and will be fully funded at closing.
- Excess spread of approximately 8.46% (pre-pricing) per year.

Payment Priority

Payment distributions before an event of default

Before an event of default, distributions will be made from available funds according to the payment priority in table 6.

Table 6

Payment waterfall

Priority	Payment
1	To the indenture, owner, and Delaware trustees, any accrued and unpaid fees; and to the ARR, any reasonable expenses not previously paid by the servicer, capped at $300,000 per year, in aggregate.
2	To the servicer, the servicing fee (3.00%) and all unpaid servicing fees with respect to previous periods.
3	To the class A noteholders, the accrued class A note interest due for the related interest period (paid pro rata).
4	The first principal allocation (the excess, if any, of the class A note balance over the pool balance).
5	To the class B noteholders, the accrued class B note interest due for the related interest period.
6	The second principal allocation (the excess, if any, of the combined class A and B note balances over the pool balance minus the first principal allocation).
7	To the class C noteholders, the accrued class C note interest due for the related interest period.
8	The third principal allocation (the excess, if any, of the combined class A, B, and C note balances over the pool balance minus the first and second principal allocations).
9	To the reserve account, any additional amounts required to make the cash on deposit in the reserve account equal to the specified reserve account balance.
10	The regular principal allocation, if any (in this step, the notes are paid down to build to the overcollateralization target).
11	To the indenture, owner, and Delaware trustees and the ARR, any accrued and unpaid fees and expenses not paid above due to the cap.
12	To the certificateholders, any remaining funds.

Class A--class A-1, A-2, and A-3 notes, collectively. ARR--Asset representations reviewer.

Events of default

Under the indenture, the occurrence and continuation of certain events constitute an event of default:

- A failure to make an interest payment on any controlling class of notes when due and payable that continues unremedied for five or more business days;
- A failure to make principal payment on any class of notes on the final scheduled payment or redemption date;

- The issuer's failure to duly observe or perform its covenants or agreements;
- Any of the issuer's representations or warranties made under the indenture proving incorrect; or
- The issuer filing for bankruptcy.

Payment distribution after an event of default

On each payment date after an event of default occurs, available funds will be distributed in the priority shown in table 7.

Table 7

Payment priority after an event of default

Priority	Payment
1	Any accrued and unpaid fees to the indenture and owner trustees.
2	The servicing fee (3%) and all unpaid servicing fees to the servicer.
3	Interest, pro rata, to the class A noteholders.
4	If an acceleration of the notes occurs after or as a result of the event of default detailed in the first, second, or fifth bullets in the Events of default section above, pay: principal to the class A-1 noteholders until the notes are paid in full; then principal to the class A-2 and A-3 noteholders, pro rata, based on each class's note balance until all class A notes are paid in full; then accrued class B note interest to the class B noteholders; then principal to the class B noteholders until the notes are paid in full; and then accrued class C note interest to the class C noteholders until the notes are paid in full.
5	If an acceleration of the notes occurs after or as a result of the event of default detailed in the third or fourth bullets in the Events of default section above, pay: accrued class B note interest to the class B noteholders; then accrued class C note interest to the class C noteholders; then principal to the class A-1 noteholders until the notes are paid in full; then principal to the class A-2 and A-3 noteholders, pro rata, based on each class's note balance until all of the class A notes are paid in full; then principal to the class B noteholders until the notes are paid in full; and then principal to the class C noteholders until the notes are paid in full.
6	Any remaining funds to the certificateholders.

Class A--class A-1, A-2, and A-3 notes, collectively.

Cash Flow Modeling Assumption And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. We also use our cash flow analysis in other aspects of our ratings analysis, including when testing credit stability (sensitivity analysis) and the legal final analysis.

Break-even analysis

For the SDART 2023-2 transaction structure, we applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower break-even point (the maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

Based on our stressed cash flows, the break-even net loss results show that the class A, B, and C notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 9).

Table 8

Cash flow assumptions

Voluntary ABS (%)	1.1
Servicing fee (%)	3.0
Recovery rate (%)	38.0
Charge-off lag (mos.)	4
Break-even CNL timing mos. (12/24/36/48/60)(%)	
Front-loaded loss curve	30/70/90/100
Back-loaded loss curve	25/55/75/90/100
Sensitivity CNL timing mos. (12/24/36/48/60)	27/60/82/96/100

ABS--Absolute prepayment speed. Mos--Months. CNL--Cumulative net loss.

Table 9

Break-even cash flow results

	Class		
	A(i)	**B**	**C**
Preliminary rating	AAA (sf)	AA (sf)	A (sf)
CNL timing mos. (12/24/36/48)(%)			
Front-loaded loss curve	62/100	39/86/100	32/72/91/100
Back-loaded loss curve	62/100	41/84/100	31/65/85/100
Approximate break-even CNL levels (%)(ii)			
Required	52.70	45.73	34.88
Available: front-loaded loss curve	52.89	45.95	35.08
Available: back-loaded loss curve	52.96	46.01	35.61

(i)Class A represents classes A-1, A-2, and A-3, collectively. (ii)The maximum CNLs, with 90.00% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant classes of notes. CNL--Cumulative net loss. Mos.--Months.

Sensitivity analysis

In addition to our break-even cash flows, we undertook sensitivity analysis using the assumptions in table 8. We believe that under a moderate ('BBB') stress scenario (1.70x our 15.50% expected loss level), and with 90.00% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10).

Table 10

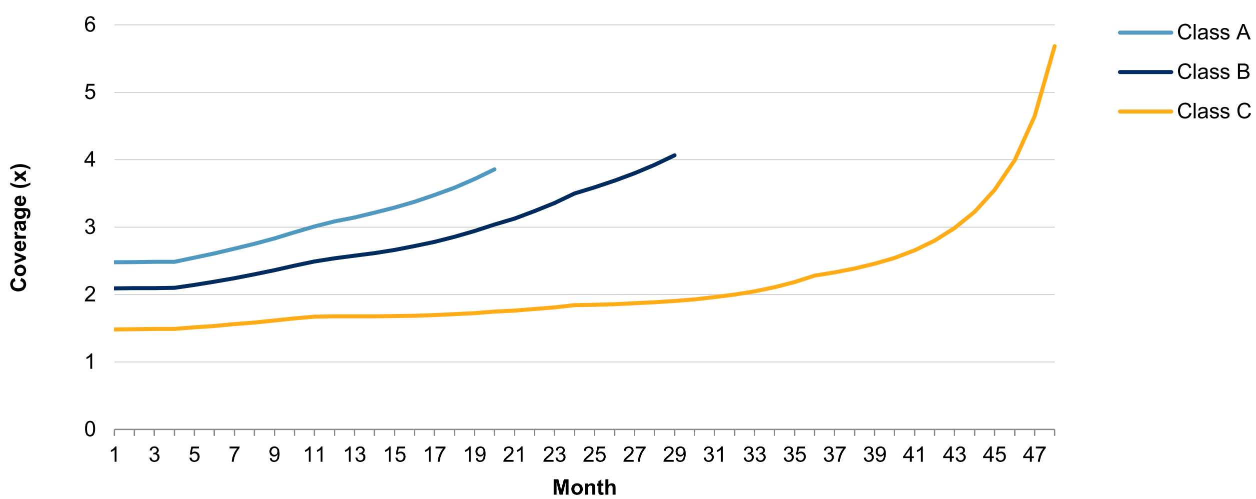
Credit stability as a limiting factor on ratings

	Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions					
Horizon	AAA	AA	A	BBB	BB	B
One year	AA	A	BB	B	CCC	D
Three years	BBB	BB	B	CCC	D	D

(i)These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 6

Sensitivity analysis coverage multiple moderate stress 25/30/20/15/10 loss curve



Money market tranche sizing

The proposed money market tranche's (class A-1) legal final maturity date is May 15, 2024. To test whether the money market tranche can be repaid by its maturity date, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and a 0.25% absolute prepayment speed for our cash flow run, and we confirmed that the tranche would pay off within 12 months.

Legal final maturity

To test the legal final maturity dates set for the long-dated tranches, we determined the date when the respective notes would fully amortize in a zero-loss and zero-prepayment scenario and then added three months to the result for classes A-2 through B. For the longest-dated security (class C), the issuer added 12 months to the tenor of the longest receivable in the pool to accommodate extensions on the receivables. Furthermore, in the break-even scenario for each rating level, we confirmed that credit enhancement was sufficient to both cover losses and repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

The series bank accounts will be established and maintained with Wilmington Trust N.A., in the name of the indenture trustee, as segregated accounts or as segregated trust accounts. The bank account provider is consistent with our counterparty criteria for a 'AAA' supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

As servicer, SC has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices, and satisfies our requirements for commingling risk. If SC were to no longer satisfy our commingling requirement, collections would be required to be deposited into the series' collections account within two business days of collection. Our operational risk assessment of SC, as servicer, does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

SC and the key transaction parties could be subject to various regulatory investigations and/or legal proceedings that may arise in their ordinary course of business. We are not aware of any proceedings that constraint our counterparty and operational risk assessment.

Santander Consumer USA Inc.

SC, the originator and servicer of the receivables, is a wholly owned subsidiary of Santander Holdings USA Inc. (SHUSA; BBB+/Stable/A-2). We consider SHUSA to be a strategically important subsidiary of Banco Santander S.A. (A+/Stable/A-1) and believe that it would receive support from its parent, which owns all of SHUSA, if needed (see "Full Analysis: Santander Holdings U.S.A. Inc.," published Aug. 10, 2022).

Since February 2013, SC has served as the preferred lender for FCA US LLC (Stellantis) by originating auto loans across the full credit spectrum and providing lease financing. In April 2022, the 10-year Master Private Label Financing Agreement (MPLFA) was extended to December 2025. In June 2022, SC partnered with Mitsubishi Motors North America Inc. in a preferred lender program for consumer auto loans and leases, and dealer loans. SC also purchases loans through pass-through arrangements with third parties.

SC, based in Dallas, originates and services auto loans and leases through a network of more than 15,000 dealers nationwide. The company's underwriting is based on a tiered, risk-based, highly automated credit approval system built on its proprietary risk-scoring models. SC's servicing policies allow for payment modifications for obligors who have encountered temporary financial difficulty for a maximum of eight months during the loan's life, plus an additional eight months during a disaster situation. Each extension ranges from one to three months, with a maximum of three months per extension. To be eligible for an extension, the loan must be six months past the date of origination or six months must have elapsed since a previous extension or modification.

Receivables are placed in "nonaccrual" status when they are greater than 60 days delinquent. In general, receivables are charged off when they become contractually delinquent for more than four months. SC continues to pursue deficiencies on charged-off receivables until it determines that no further recoveries can be collected.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions , March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities , Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria , May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions , March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions , Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions , Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts , May 31, 2012
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment , May 28, 2009

Related Research

- U.S. Auto Loan ABS Tracker: February 2023 Performance, April 11, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023
- How The Next Downturn Could Affect U.S. Subprime Auto Loan ABS Ratings, Dec. 8, 2022
- One Rating Raised And Five Affirmed On Five Santander Drive Auto Receivables Trust Transactions, Sept. 26, 2022
- Full Analysis: Santander Holdings U.S.A. Inc., Aug. 10, 2022