S&P Global Ratings

Research

Presale:

CPS Auto Receivables Trust 2024-A

January 11, 2024

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)	Legal final maturity date
A	AAA (sf)	Senior	Fixed	128.512	Sept. 15, 2027
B	AA (sf)	Subordinate	Fixed	37.870	May 15, 2028
C	A (sf)	Subordinate	Fixed	48.557	April 15, 2030
D	BBB (sf)	Subordinate	Fixed	33.218	April 15, 2030
E	NR	Subordinate	Fixed	32.767	Aug. 15, 2031

Note: This presale report is based on information as of Jan. 11, 2024. 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 actual coupons of these classes will be determined on the pricing date. NR--Not rated.

Profile

Collateral	Subprime auto loan receivables.
Originator and servicer	Consumer Portfolio Services Inc.
Issuer	CPS Auto Receivables Trust 2024-A.
Grantor trust	CPS Auto Receivables Grantor Trust 2024-A.
Seller	CPS Receivables Five LLC.
Indenture trustee, custodian, backup servicer, and grantor trust trustee	Computershare Trust Co. N.A. (BBB/Stable/--).
Owner trustee and grantor trust Delaware trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Lockbox processor and bank account provider	Wells Fargo Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to CPS Auto Receivables Trust 2024-A's (CPSART 2024-A) automobile receivables-backed notes reflect:

- The availability of approximately 59.61%, 51.81%, 39.87%, and 30.94% of credit support (hard credit enhancement and haircut to excess spread) for the class A, B, C, and D notes, respectively, based on stressed cash flow scenarios. These credit support levels provide coverage of approximately 3.00x, 2.60x, 2.00x, and 1.55x our 19.75% expected cumulative net loss (CNL) range for the class A, B, C, and D notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections).

- The expectations that under a moderate ('BBB') stress scenario (1.55x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', and 'BBB (sf)' ratings on the class A, B, C, and D notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' subprime automobile loans, 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 Wells Fargo Bank N.A. (Wells Fargo), which do not constrain the preliminary ratings.
- Our operational risk assessment of Consumer Portfolio Services Inc. (CPS) as servicer, and our view of the company's underwriting and backup servicing arrangement with Computershare Trust Co. N.A.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures, which include an incurable performance trigger.

Our expected cumulative net loss for CPSART 2024-A is 19.75%, which is unchanged from CPSART 2023-D. It reflects:

- Our view that the series 2024-A collateral characteristics are somewhat stronger than those for series 2023-D, primarily due to the stronger program distribution.
- CPS' outstanding series performance, particularly the 2022 and earlier 2023 series, which are showing early signs of deterioration.
- Our forward-looking view of the auto finance sector, including our economic outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance

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 environmental and governmental credit factors are in line with our sector benchmark. We generally view environmental credit factors as above average because the collateral pool 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 that our current approach to evaluating recovery and residual values adequately accounts for vehicle values over the transaction's relatively short expected life. As a result, we did not separately identify this as a material ESG credit factor in our analysis.

We believe the transaction has higher exposure to social credit factors than our sector benchmark due to its pool of subprime obligors versus the benchmark's pool of prime obligors. Given the elevated interest rate and affordability considerations for these subprime borrowers, this 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 CPSART 2023-D

- Total initial hard credit enhancement decreased for classes B, D, and E to 45.65%, 18.45%, and 7.55%, respectively, from 45.70%, 18.50%, and 7.70%, and remained unchanged for classes A and C at 58.25% and 29.50%, respectively.
- Subordination for classes A, B, C, and D increased to 50.70%, 38.10%, 21.95%, and 10.90%, respectively, from 50.55%, 38.00%, 21.80%, and 10.80%.
- The initial overcollateralization decreased to 6.55% from 6.70%, and the target overcollateralization decreased to the lesser of 9.55% (from 9.70%) of the initial collateral pool balance and 26.55% (from 26.75%) of the current collateral pool balance..
- Pre-pricing excess spread is estimated at 11.29%, up from 11.15% (post-pricing) due to a lower cost of debt offsetting the lower annual percentage rate (APR).
- The non-curable CNL trigger is not a feature of this series.

The series' lower initial and target overcollateralization is offset by the higher subordination and higher estimated stressed excess spread (see table 1). Our stressed cash flow results indicate that each class in the CPSART 2024-A transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section).

Table 1

Credit enhancement summary (%)

	CPSART				
	2024-A	2023-D	2023-C	2023-B(i)	2023-A
Subordination(ii)					
Class A	50.70	50.55	50.45	36.40	46.90
Class B	38.10	38.00	37.60	29.60	34.75
Class C	21.95	21.80	21.25	17.00	19.00
Class D	10.90	10.80	10.00	10.00	8.10
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(ii)	6.55	6.70	6.70	10.00	10.50

Table 1

Credit enhancement summary (%) (cont.)

	CPSART				
	2024-A	2023-D	2023-C	2023-B(i)	2023-A
Target(iii)	9.55	9.70	9.70	11.50	14.00
Floor(ii)	2.50	2.50	2.50	2.50	2.50
Reserve fund(ii)					
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(ii)					
Class A	58.25	58.25	58.15	47.40	58.40
Class B	45.65	45.70	45.30	40.60	46.25
Class C	29.50	29.50	28.95	28.00	30.50
Class D	18.45	18.50	17.70	21.00	19.60
Class E	7.55	7.70	7.70	11.00	11.50
Estimated excess spread per year (%)(iv)	11.29	11.15	12.16	N/A	11.44

(i)Not rated by S&P Global Ratings. (ii)Percentage of the initial collateral balance. (iii)The overcollateralization target for CPSART 2024-A, 2023-D, 2023-C, 2023-B, and 2023-A equals the lesser of 9.55%, 9.70%, 9.70%, 11.50%, and 14.00%, respectively, of the initial collateral balance and 26.55%, 26.75%, 21.50%, 25.00%, and 38.00% of the current collateral balance. (iv)Based on the pre-pricing for CPSART 2024-A and post-pricing for CPSART 2023-D, 2023-C, and 2023-A. CPSART--CPS Auto Receivables Trust. N/A--Not applicable.

Collateral changes from CPSART 2023-D

The significant collateral changes in CPSART 2024-A's final cutoff pool (as of Dec. 31, 2023) from CPSART 2023-D's closing collateral pool include:

- The percentage of loans originated in CPS' top five credit tiers (Meta, Preferred, Super Alpha, Alpha Plus, and Alpha) increased to 87.38% from 85.67%. The Meta loans, which were first introduced into CPSART 2022-B, have among the most stringent guidelines in terms of credit history and income.
- The portion of loans for new vehicles increased to 7.71% from 7.08%.
- The weighted average mileage decreased to 63,393 from 66,755.
- The weighted average loan-to-value ratio increased to 120.96% from 120.35%.
- The weighted average APR decreased to 20.71% from 21.03%.
- The weighted average FICO score decreased to 579 from 588.
- There will be no prefunding.

The collateral characteristics of the CPSART 2024-A pool are somewhat stronger than those of the CPSART 2023-D pool, primarily due to the higher percentage in the better-performing loan types (Meta, Preferred, Super Alpha, Alpha Plus, and Alpha) (see table 2). We have factored these characteristics in our expected loss for CPSART 2024-A (see the S&P Global Ratings' Expected Loss section).

Table 2

Collateral comparison(i)

	CPSART				
	2024-A	2023-D	2023-C	2023-B(ii)	2023-A
Receivables balance (mil. $)	300.61	306.70	312.68	369.87	362.87
No. of receivables	15,602	15,888	16,358	20,549	18,017
Average loan balance ($)	19,267	19,304	19,115	17,999	20,140
Weighted average					
APR (%)	20.71	21.03	21.33	21.39	20.06
Original term (mos.)	69.68	69.64	69.21	69.36	69.72
Remaining term (mos.)	66.42	66.46	65.99	64.95	67.17
Seasoning (mos.)	3.26	3.18	3.22	4.41	2.55
FICO score	579	588	586	577	581
LTV ratio (%)	120.96	120.35	118.80	120.71	124.82
Original term of 61-78 months (%)	80.66	80.76	78.69	80.9	81.74
New vehicles (%)	7.71	7.08	6.65	6.21	6.81
Used vehicles (%)	92.29	92.92	93.35	93.79	93.19
Top five state concentrations (%)					
	OH=9.00	OH=7.75	Oh=8.40	OH=7.8	OH=8.38
	TX=7.37	TX=7.38	TX=6.78	TX=7.2	TX=8.21
	CA=7.02	CA=6.43	CA=6.41	CA=6.5	CA=7.11
	IL=5.89	IL=6.09	PA=5.81	IL=5.7	PA=5.47
	PA=4.84	FL=5.41	IL=5.76	PA=5.6	FL=5.28
Types of financing programs offered (%)					
Meta	3.47	4.08	3.38	2.7	2.82
Preferred	16.72	14.88	13.29	9.9	11.33
Super Alpha	21.37	22.28	21.07	18.5	18.89
Alpha Plus	17.51	13.56	13.50	14.2	13.49
Alpha	28.31	30.87	31.34	33.8	31.75
Standard	7.07	6.38	8.00	11.2	12.20
Delta	2.32	3.57	4.84	5.8	5.34
First-Time Buyer	3.24	4.38	4.58	3.9	4.18
Sum of top five programs(iii)	87.37	85.67	82.58	79.10	78.28

(i)As of the final pool cutoff date. (ii)Not rated by S&P Global Ratings. (iii)The top five programs are Meta, Preferred, Super Alpha, Alpha Plus, and Alpha. Meta program started with series 2022-B. CPSART--CPS Auto Receivables Trust. LTV--Loan-to-value.

Macroeconomic And Auto Finance Sector Outlook

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.

Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecasted GDP growth of 2.4% because the market's resiliency will be tested going forward as real interest rates stay relatively high in the coming year and the lags of tightened monetary policy feed through the economy. Other reasons for caution include that real disposable income has declined four months in a row, with the savings rate falling to a very low 3.4% in September (well below the pre-COVID-19 pandemic average) from the 5.1% average in the second quarter of 2023; consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and student-loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023 with an average payment of approximately $300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed, which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down 6.1% from a year ago, a decline of a magnitude that has been a harbinger of a recession in the past.

Table 3

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (year-over-year growth, %)	2.1	2.4	1.5	1.4	1.8
Unemployment rate (annual average, %)	3.6	3.7	4.3	4.6	4.5
Consumer Price Index (annual average, %)	8.0	4.1	2.4	2.1	2.1

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: 19.75%

We determined our expected loss for CPSART 2024-A by analyzing:

- The transaction's collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio performance and origination static pool data and their relative performances (see table 4 and charts 1a and 1b); and,
- The outstanding CPSART transactions' performance, especially the more recent transactions, which are exhibiting slightly higher losses than historically observed (see table 5 and charts 2a and 2b).

Given CPS' established performance track record as a quarterly issuer, we placed more emphasis on origination static pool analysis and outstanding series performance when determining the expected loss for CPSART 2024-A. We 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 CPSART 2024-A to experience a lifetime CNL of 19.75%, which is unchanged from CPSART 2023-D.

Managed portfolio

CPS's portfolio increased to $2.94 billion as of the nine months ended Sept. 30, 2023, from $2.84 billion a year earlier. Total delinquencies increased to 13.31% from 10.74%, while net losses as a percentage of the average amount outstanding increased to 6.12% from 4.04%. We attribute this performance to ongoing normalization to pre-pandemic levels and the inflationary pressures and other economic headwinds affecting consumers.

Table 4

Managed portfolio

	Nine months ended Sept. 30		Year ended Dec. 31			
	2023	2022	2022	2021	2020	2019
Delinquency experience(i)						
Portfolio at end of period (bil. $)	2.94	2.84	3.00	2.25	2.17	2.42
Total delinquencies (% of the portfolio, 31+ days delinquent)	11.74	9.60	11.20	9.50	10.43	13.55
Total repossessed assets (% of the portfolio)	1.57	1.14	1.50	1.03	1.65	1.91
Total delinquencies including repossessed assets (% of the portfolio)	13.31	10.74	12.70	10.53	12.08	15.46
Loan loss experience(i)						
Average month-end amount outstanding during the period (bil. $)	2.90	2.46	2.54	2.15	2.32	2.41
Net charge-offs (% of the average amount outstanding)	6.12	4.04	4.50	4.70	6.51	7.95

(i)The data represent all contracts purchased by CPS, including contracts that it sold but continues to service, and exclude contracts originated or purchased by MFN Financial Corp., The Finance Co., Fireside Bank, or SeaWest Financial Corp. CPS--Consumer Portfolio Services Inc.

Origination static pool analysis

CPS's static pool loss performance data generally reflect the loan and obligor characteristics of the securitized pool. To derive the base-case expected loss for the transaction, we analyzed CPS's portfolio static pool CNL performance both for the portfolio in aggregate and broken out by its different financing programs. We developed a loss timing curve from paid-off vintages and, for outstanding quarterly pools that had at least 12 months of performance data, we used the loss timing curves to project losses. We placed more emphasis on the more recent 2021 and 2022 vintages, which have been performing worse than prior years.

Chart 1a

Cumulative net loss by quarterly origination vintage

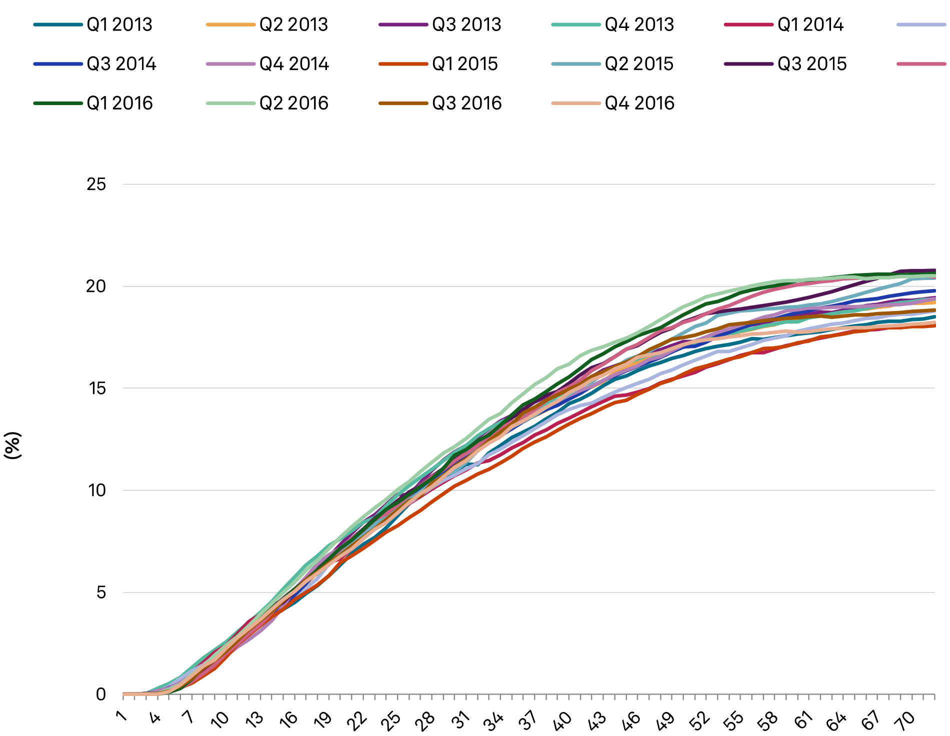
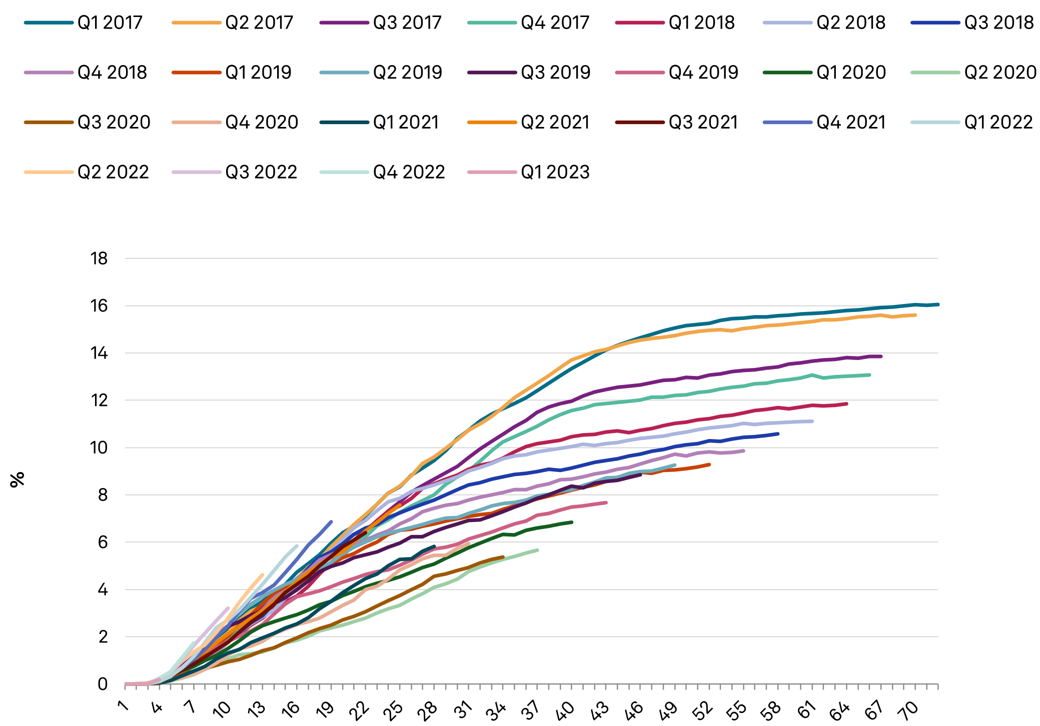


Chart 1b

Cumulative net loss by quarterly origination vintage



CPSART transaction performance

We currently rate 11 outstanding CPSART transactions issued from 2019 through 2023. On Oct. 13, 2023, we raised 15 ratings and affirmed eight ratings from nine transactions (see "Fifteen Ratings Raised And Eight Affirmed From Nine CPS Auto Receivables Trust Transactions"). The rating actions taken on CPSART series 2019-B through 2021-C reflect performance that is better than our initial expectations. However, CPSART transactions issued in 2022 and 2023 are trending worse than prior deals due to higher-than-historical gross and net losses and lower recoveries (see table 5 and chart 2b).

Table 5

CPS collateral performance and CNL expectations(i)

Series	Month	Pool factor (%)	Current CNL (%)	Current CRR (%)	60+ day delinquency (%)	Extensions (%)	Initial lifetime CNL expected (%)	Revised CNL expected (%)(ii)
2019-B	56	9.34	9.60	53.21	10.66	5.15	18.50-19.50	Up to 10.00
2019-C	53	10.58	9.60	53.92	10.88	5.73	18.50-19.50	Up to 10.25
2019-D	50	12.47	9.06	55.49	11.01	4.76	18.50-19.50	Up to 10.00

Table 5

CPS collateral performance and CNL expectations(i) (cont.)

Series	Month	Pool factor (%)	Current CNL (%)	Current CRR (%)	60+ day delinquency (%)	Extensions (%)	Initial lifetime CNL expected (%)	Revised CNL expected (%)(ii)
2020-B	43	17.45	7.47	55.15	9.79	5.44	21.50-22.50	10.00
2021-A	35	23.45	6.67	55.05	8.81	5.45	20.25-21.25	10.25
2021-C	29	36.27	9.09	45.69	8.37	5.52	18.75-19.75	14.25
2022-A	23	49.98	9.21	37.20	7.55	5.09	17.00-18.00	19.50
2022-C	17	65.32	6.70	35.74	8.32	5.49	17.00-18.00	21.00
2023-A	11	77.91	3.81	32.56	8.96	5.90	19.75	N/A
2023-C	5	92.07	0.70	11.35	4.77	4.77	19.75	N/A
2023-D	2	97.34	0.00	0.00	0.96	0.32	19.75	N/A

(i)As of the December 2023 distribution date. (ii)Revised in October 2023. CPS--Consumer Portfolio Services Inc. CNL--Cumulative net loss. CRR--Cumulative recovery rate. N/A--Not applicable.

Chart 2a

Securitization cumulative net loss - paid-off transactions

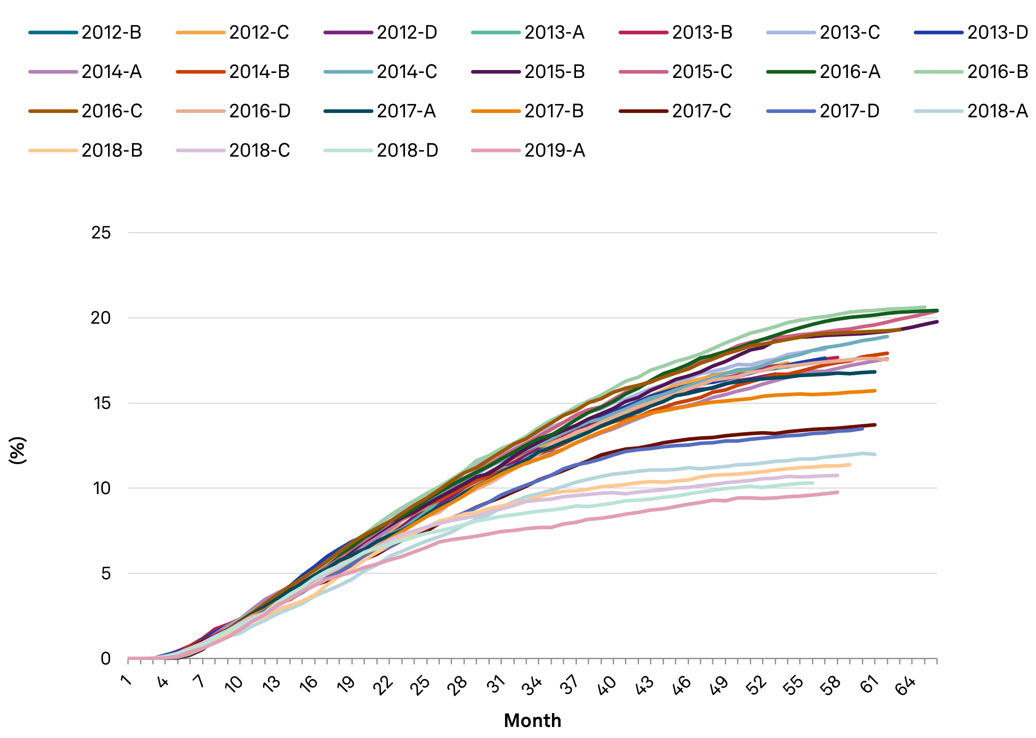
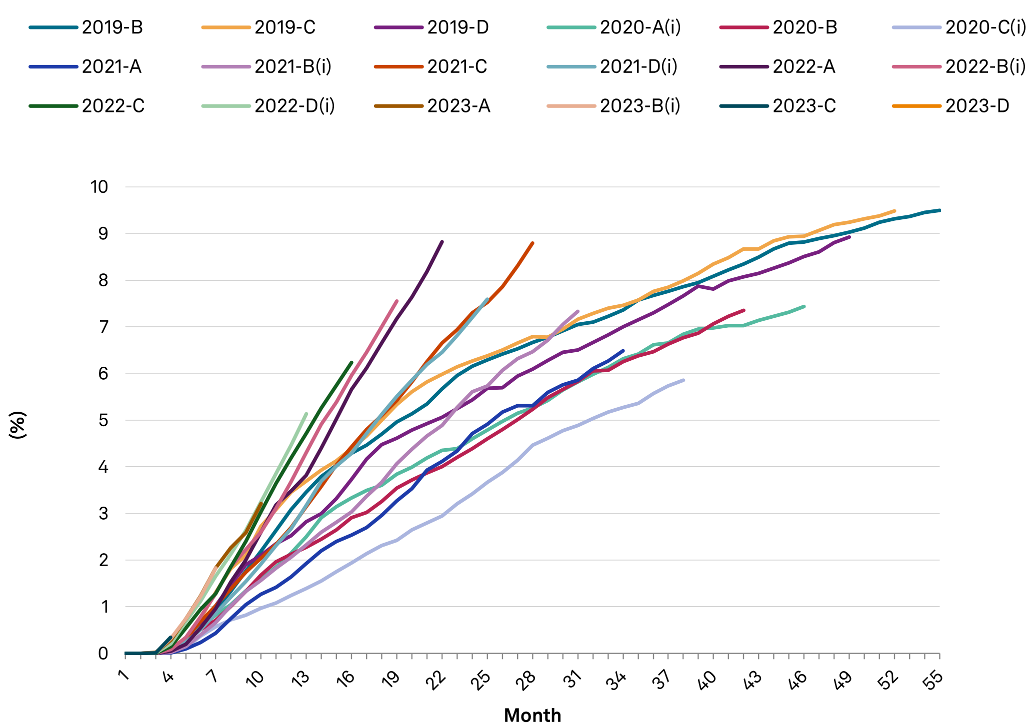


Chart 2b

Securitization cumulative net loss - outstanding transactions



(i)Not rated by S&P Global Ratings.

Legal Overview And Transaction Structure

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.

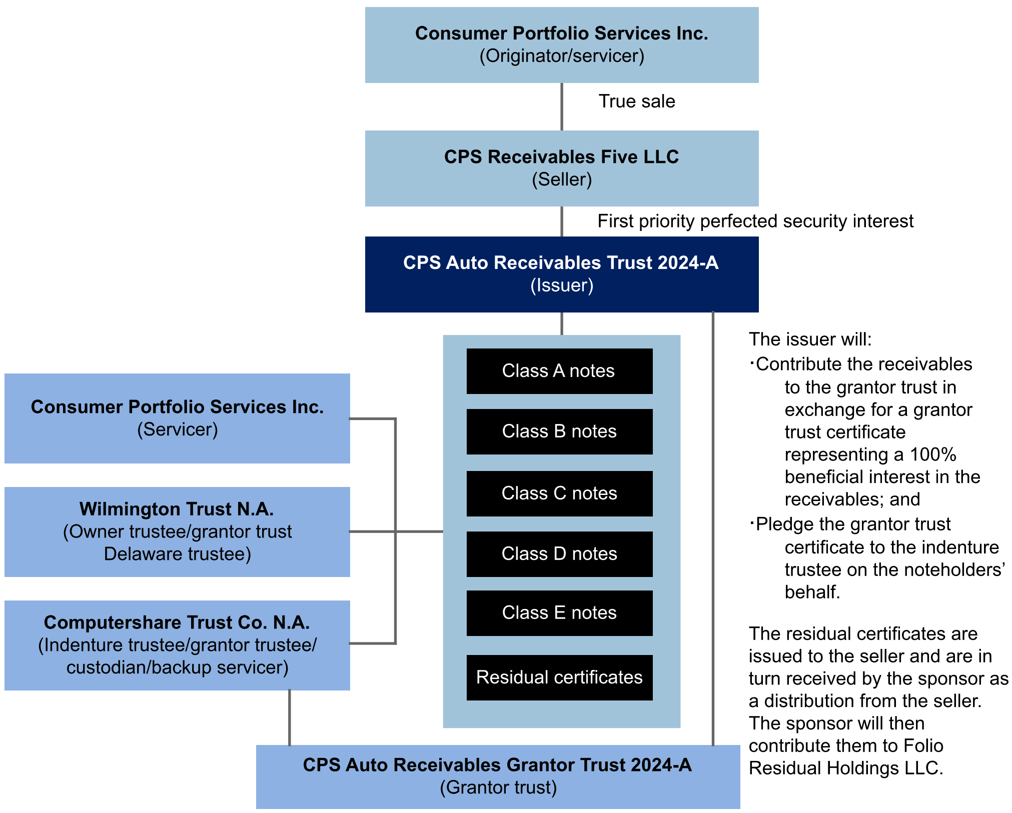
The CPSART 2024-A transaction is structured as a true sale of the receivables from CPS to CPS Receivables Five LLC, a multi-use, special-purpose Delaware limited liability company and a wholly owned, limited-purpose subsidiary of CPS. CPS Receivables Five LLC, in turn, will transfer the receivables to CPSART 2024-A, the issuer, a newly formed, special-purpose Delaware statutory trust. The issuer will pledge its interest in the receivables and its security interests in the financed vehicles to the trustee on the noteholders' behalf (see chart 3).

As with the previous few transactions, series 2024-A will utilize a grantor trust for tax reasons. Federal tax counsel to the issuer will issue an opinion as of the closing date that, when issued, the class E notes should be treated as indebtedness for U.S. federal income tax purposes, except to the extent such notes are retained by the issuer or the seller.

In addition, residual certificates will be issued to CPS Receivables Five LLC. CPS will receive the certificates on the closing date as a distribution from the seller and will, simultaneously upon receipt, contribute the certificates to Folio Residual Holdings LLC, a Delaware limited liability company (the risk retention LLC), which is also a wholly owned limited-purpose subsidiary of CPS.

Chart 3

Transaction structure



Transaction structure

CPSART 2024-A's structural features include:

- A senior-subordinated, sequential payment structure in which the senior-most outstanding notes are paid first.
- Initial overcollateralization of 6.55% of the initial collateral pool balance, subject to a target overcollateralization set at the lesser of 9.55% of the initial collateral pool balance and 26.55% of the current collateral pool balance. The target overcollateralization amount is subject to a floor of 2.50% of the initial collateral pool balance.
- A nonamortizing reserve account amount that will equal 1.00% of the initial collateral balance.
- Excess spread of approximately 11.29% (pre-pricing) per year.

Payment Priority

Payment distributions before an event of default

Unless an event of default occurs, on each payment date, the trustee will make distributions from available funds according to the priority shown in table 6.

Table 6

Payment waterfall

Priority	Payment
1	The backup servicing fee to the backup servicer, provided it is not the servicer.
2	An annual 2.50% servicing fee if CPS is the servicer. Otherwise, the servicing fee will be the greater of 2.50% per year and the product of the number of receivables serviced by the successor servicer during the related collection period and $15(i).
3	To the successor servicer (if one is assigned and if it is not already paid by the predecessor servicer), any transition expenses incurred, capped at $200,000.
4	To the indenture trustee, grantor trust trustee, custodian, owner trustee, and grantor trust Delaware trustee, the trustee fees, custodial fees, indemnities, and any reasonable out-of-pocket expenses (the amounts paid as reimbursement for any expenses and indemnities payable to the indenture trustee, grantor trust trustee, and custodian are capped at $75,000 annually, while those payable to the grantor trust Delaware trustee and owner trustee are capped at $100,000 annually). However, the maximum limit will not apply if an event of default has occurred and is continuing.
5	Class A notes' interest to the class A noteholders.
6	The class A notes' parity deficit amount to the principal distribution account (if the class A notes' balance exceeds the collateral balance).
7	On the final scheduled payment date, the class A notes' outstanding principal amount to the principal distribution account.
8	Class B notes' interest to the class B noteholders.
9	The class B notes' parity deficit amount to the principal distribution account (if the class A and B notes' aggregate balance exceeds the collateral balance).
10	On the final scheduled payment date, the class B notes' outstanding principal amount to the principal distribution account.
11	Class C notes' interest to the class C noteholders.
12	The class C notes' parity deficit amount to the principal distribution account (if the class A, B, and C notes' aggregate balance exceeds the collateral balance).
13	On the final scheduled payment date, the class C notes' outstanding principal amount to the principal distribution account.
14	Class D notes' interest to the class D noteholders.
15	The class D notes' parity deficit amount to the principal distribution account (if the class A, B, C, and D notes' aggregate balance exceeds the collateral balance).
16	On the final scheduled payment date, the class D notes' outstanding principal amount to the principal distribution account.
17	Class E notes' interest to the class E noteholders.
18	The class E notes' parity deficit amount to the principal distribution account (if the class A, B, C, D, and E notes' aggregate balance exceeds the collateral balance).
19	On the final scheduled payment date, the class E notes' outstanding principal amount to the principal distribution account.
20	The amounts needed to achieve the required spread account amount.
21	The aggregate principal distributable amount to the principal distribution account.

Table 6

Payment waterfall (cont.)

Priority	Payment
22	Any amounts owed to the backup servicer, indenture trustee, grantor trust trustee, custodian, owner trustee, and grantor trust Delaware trustee, if not already paid.
23	Any remaining funds to the residual certificateholders.

(i)Upon CPS' replacement as the servicer by a successor servicer, the successor servicer will be entitled to a servicing fee that is the greater of 2.50% per year and $15 per loan per month, which we applied in our cash flow scenarios. CPS--Consumer Portfolio Services Inc.

On each payment date, the amounts deposited into the principal distribution account will be distributed to the noteholders in the priority outlined in table 7.

Table 7

Principal waterfall

Priority	Payment
1	Class A notes' principal to the class A noteholders until paid in full.
2	Class B notes' principal to the class B noteholders until paid in full.
3	Class C notes' principal to the class C noteholders until paid in full.
4	Class D notes' principal to the class D noteholders until paid in full.
5	Class E notes' principal to the class E noteholders until paid in full.

The principal amounts paid in the principal waterfall are designed to use all principal collections and available excess spread to reduce the notes' outstanding principal balance. No subordinate notes will receive any principal payment until the senior class notes are paid in full. In addition, excess spread will not be released from the transaction unless the requisite overcollateralization target level has been reached and only if the excess spread is not used to cover losses.

Events of default

Any of the following will constitute an event of default:

- A default in the interest payment on the senior-most class notes remains uncured for five days.
- A default on the principal payment on any notes on its final scheduled distribution date remains uncured for five days.
- The issuer, seller, or servicer failing to observe or perform any material covenant or agreement, or any materially incorrect representation or warranty of the issuer, the seller, or the servicer the materially and adversely affects the rights of noteholders not being cured for 30 days (up to 90 days in certain cases). Notice is required by the indenture trustee or the holders of at least 25.00% of the outstanding amount of each class of notes.
- The issuer becoming insolvent.

Payment distributions after an event of default

On each payment date following the acceleration of principal and interest payments to the notes on or after an event of default, the trustee will make distributions from available funds according to the priority shown in table 8.

Table 8

Payment waterfall following an event of default

Priority	Payment
1	The backup servicing fee to the backup servicer as long as it is not the servicer.
2	An annual 2.50% servicing fee if CPS is the servicer. Otherwise, the servicing fee will be the greater of 2.50% per year and the product of the number of receivables serviced by the successor servicer during the related collection period and $15(i).
3	Any transition expenses incurred to the successor servicer only if one is assigned and if not already paid by the predecessor servicer.
4	Fees to the trustee, grantor trust trustee, custodian, owner trustee, grantor trust, and Delaware trustee, as well as indemnities and any reasonable out-of-pocket expenses.
5	Class A note interest to the class A noteholders.
6	Class A notes' principal to the class A noteholders until paid in full.
7	Class B note interest to the class B noteholders.
8	Class B notes' principal to the class B noteholders until paid in full.
9	Class C notes' interest to the class C noteholders.
10	Class C notes' principal to the class C noteholders until paid in full.
11	Class D notes' interest to the class D noteholders.
12	Class D notes' principal to the class D noteholders until paid in full.
13	Class E notes' interest to the class E noteholders.
14	Class E notes' principal to the class E noteholders until paid in full.
17	Any fees and expenses not already paid.
18	Any remaining funds to the residual certificateholders.

(i)Upon CPS' replacement as the servicer by a successor servicer, the successor servicer will be entitled to a servicing fee that is the greater of 2.50% per year and $15 per loan per month, which we applied in our cash flow scenarios. CPS--Consumer Portfolio Services Inc.

Cash Flow Modeling Assumptions 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 the testing of credit stability (sensitivity analysis) and legal final analysis.

Break-even analysis

For the CPSART 2024-A transaction structure, we applied the assumptions outlined in table 9 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 level (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, C, and D notes (class E is not rated) have credit enhancement to the degree appropriate for the assigned preliminary ratings (see table 10).

Table 9

Break-even cash flow assumptions

Voluntary ABS (%)	0.85
Servicing fee (%)	2.50
Recovery rate (%)(i)	35.00/40.00
Charge-off and recovery lag (mos.)	3
CNL timing mos. (12/24/36/48) (%)	
Front-loaded loss curve	25/55/85/100
Back-loaded loss curve	15/35/60/85/100

(i)A 35.00% recovery rate is used for classes A and B, and a 40.00% recovery rate is used for classes C and D. ABS--Absolute prepayment speed.

Table 10

Break-even cash flow results

	Class			
	A	B	C	D
Preliminary rating	AAA (sf)	AA (sf)	A (sf)	BBB (sf)
CNL timing mos. (12/24/36/48) (%)				
Front-loaded loss curve	93/100	45/93/100	30/62/84/100	27/57/86/100
Back-loaded loss curve	90/100	43/93/100	28/60/98/100	22/46/75/100
Approx. break-even CNL levels (%)(i)				
Required	59.25	51.35	39.50	30.61
Available: front-loaded loss curve	59.64	51.81	39.87	30.94
Available: back-loaded loss curve	59.61	51.87	40.22	33.11

(i)The maximum cumulative net losses (with 90% credit to any excess spread) the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions in table 9. We believe that under a moderate ('BBB') stress scenario (1.55x of 19.75% 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 in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023 (see table 12).

Table 12

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 4

Sensitivity coverage multiple: front-loaded curve

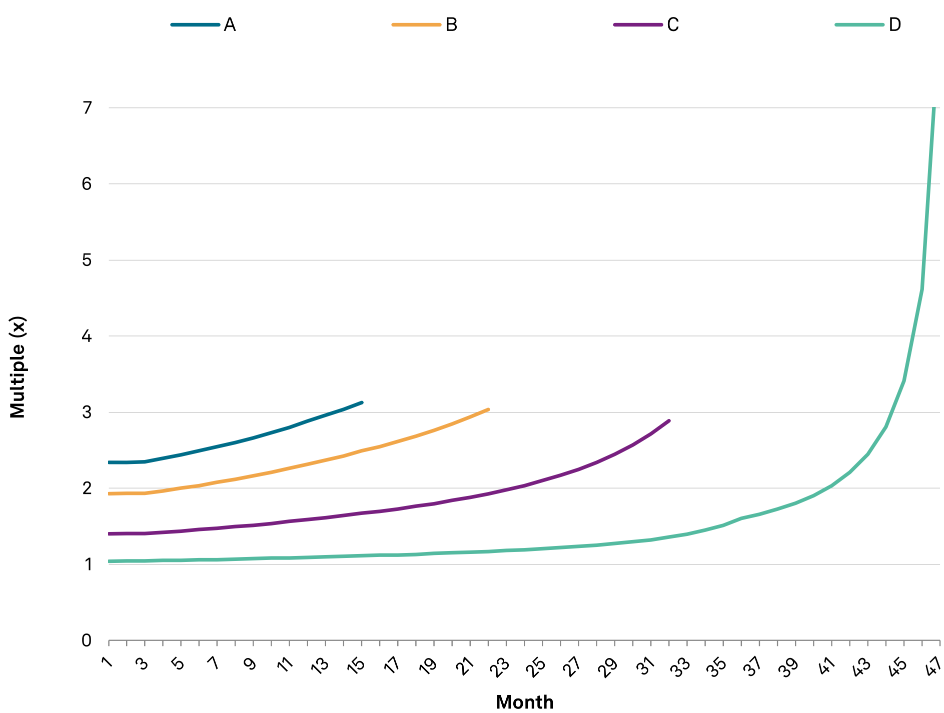
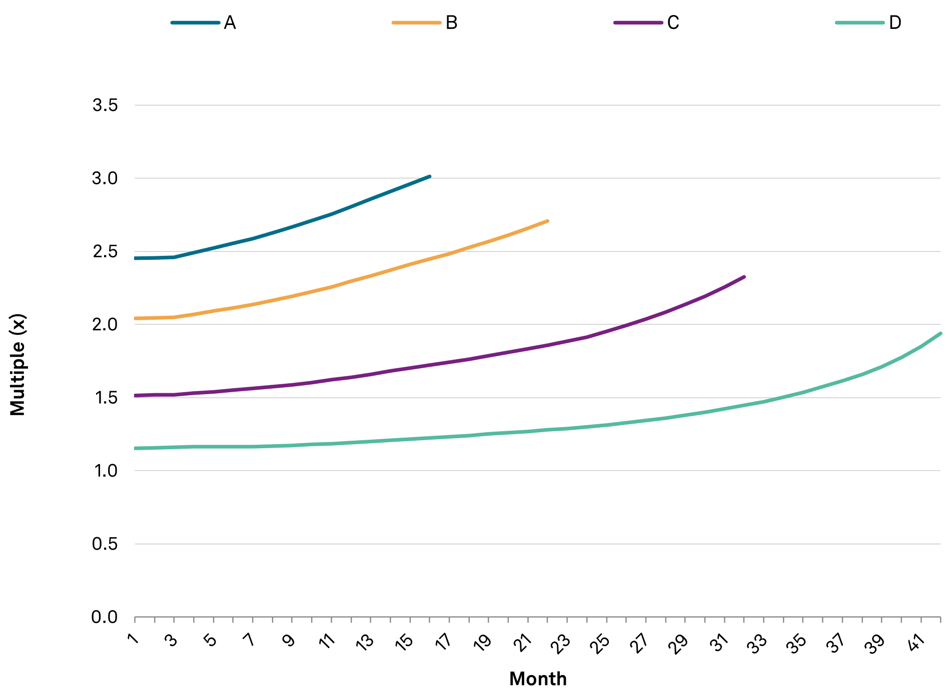


Chart 5

Sensitivity coverage multiple: back-loaded curve



Legal Final Maturities

To test the legal final maturity dates, we determined the date when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and then we added three months to the result. For the longest-dated security (class E, not rated), we would add 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 respective rating level, we confirmed that there was sufficient credit enhancement to both cover losses and repay the related rated notes in full by the respective legal final maturity dates.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the CPSART 2024-A bank accounts will be established in the name of the indenture trustee, Computershare Trust Co. N.A., as segregated trust accounts and will initially be established with the bank account provider, Wells Fargo. 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).

Servicer

As servicer, CPS has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. The backup servicer, Computershare Trust Co. N.A., is engaged for outstanding series. CPS is not rated by S&P Global Ratings, and commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. Our operational risk assessment of CPS as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Regulatory

The key transaction parties could be subject to various regulatory investigation and or legal proceedings that may arise in their ordinary course of business. We will assess any such events and outcomes as they become available to us to determine any impact on our counterparty and operational risk assessments.

CPS

CPS is a consumer finance company that specializes in purchasing, selling, and servicing subprime automobile installment purchase contracts. CPS began operations in 1991. At the beginning of 2015, the company relocated its executive headquarters to its new branch office in Las Vegas from Irvine, Calif., which remains the company's operational headquarters. Most of the company's credit and underwriting functions are centralized at its California headquarters, with certain functions also performed at its Florida and Las Vegas offices. CPS' servicing and collections functions are performed at its five regional collection centers in California, Virginia, Florida, Illinois, and Nevada.

CPS has remained profitable since fourth-quarter 2011. It reported net income of $86.0 million in 2022, $47.5 million in 2021, $21.7 million in 2020, and $5.4 million in 2019. As of the nine-months ended Sept. 30, 2023, CPS reported net income of $38.2 million. CPS also has multi-year credit lines from two lending sources for a total warehouse capacity of $400 million. The warehouse credit facilities will mature in January 2024 and July 2024.

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
- 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: October 2023 Performance, Dec. 11, 2023
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- Fifteen Ratings Raised And Eight Affirmed From Nine CPS Auto Receivables Trust Transactions, Oct. 13, 2023