S&P Global Ratings

Research

Presale:

United Auto Credit Securitization Trust 2023-1

January 19, 2023

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A	AAA (sf)	Senior	Fixed	124.84	July 10, 2025
B	AA- (sf)	Subordinate	Fixed	53.85	July 10, 2028
C	A-(sf)	Subordinate	Fixed	35.08	July 10, 2028
D	BBB- (sf)	Subordinate	Fixed	37.53	July 10, 2028
E	BB- (sf)	Subordinate	Fixed	24.48	Sept. 10, 2029

Note: This presale report is based on information as of Jan. 19, 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 for each class will be determined on the pricing date.

Profile

Expected closing date	Jan. 31, 2023.
Collateral	Subprime auto loan receivables.
Issuer	United Auto Credit Securitization Trust 2023-1.
Sponsor, servicer, and custodian	United Auto Credit Corp.
Depositor	United Auto Credit Financing LLC.
Indenture trustee and backup servicer	Computershare Trust Co. N.A. (BBB/Stable/--).
Owner trustee	Computershare Delaware Trust Co.
Bank Account Provider	Wells Fargo Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to United Auto Credit Securitization Trust 2023-1's (UACST 2023-1) automobile receivables-backed notes reflect:

- The availability of approximately 63.13%, 50.83%, 41.11%, 32.19%, and 27.79% credit support for the class A, B, C, D, and E notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 2.80x, 2.27x, 1.83x, 1.42x, and 1.20x coverage of our expected cumulative net loss (ECNL) of 22.25% for the class A, B, C, D, and E notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (1.50x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA- (sf)', 'A- (sf)', 'BBB- (sf)', and 'BB- (sf)' ratings on the class A, B, C, D, and E notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section below).
- 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 below).
- The series' bank accounts at Wells Fargo Bank N.A. (Wells Fargo), which do not constrain the preliminary ratings.
- Our operational risk assessment of United Auto Credit Corp. (UACC) 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 (ESG) credit factors, which are in line with our sector benchmarks.
- The transaction's payment and legal structures.

Our ECNL for UACST 2023-1 is 22.25%, which is 200 basis points (bps) higher than our 20.25% ECNL (19.75%-20.75%) for UACST 2022-2. It reflects:

- The weaker performance of UACST 2022-1 and (particularly) 2022-2, which are experiencing elevated losses--even though UACST 2022-2 only has six months of performance. This was a key consideration for the higher ECNL for UACST 2023-1.
- Our assessment that UACST 2023-1 collateral pool, which we believe have credit characteristics that, when considered in totality, are marginally better than UACST 2022-2 and weaker than UACST 2022-1.
- Our forward-looking view of the auto finance sector.

Environmental, Social, And Governance (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 environmental and governmental credit factors are in line with our sector benchmark. Environmental credit factors are generally viewed as above average, given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could eventually lower ICE vehicle values, 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 such, we have not separately identified this as a material ESG credit factor in our analysis.

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

Credit Enhancement And Collateral

Structural changes from UACST 2022-2 include:

- The initial hard credit enhancement increased for classes A (rising to 63.25% from 57.50%), B (to 46.75% from 46.30%), D (to 24.50% from 24.35%), and E (to 17.00% from 12.00%); and decreased for class C to 36.00% from 36.50%.
- Subordination increased for class A (rising to 46.25% from 45.50%); and decreased for classes B (falling to 29.75% from 34.30%), C (to 19.00% from 24.50%), and D (to 7.50% from 12.35%).
- The initial and target overcollateralization (O/C) increased to 15.50% (from 10.50%) of the initial collateral pool balance and will grow to a target of 22.00% (from 15.50%) of the current pool balance. The O/C floor remains unchanged at 1.00% of the initial collateral pool balance.
- The estimated annual excess spread decreased to approximately 10.04% pre-pricing from 11.13% post-pricing for UACST 2022-2.

The increase in initial hard credit enhancement for most of the classes reflects our higher ECNL of 22.25% and the lower excess spread due to higher cost of debt (see table 1). Our stressed cash flow results indicate that each class in UACST 2023-1 is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

Credit Enhancement Summary (%)

	UACST					
	2023-1	2022-2	2022-1	2021-1	2020-1	2019-1
Subordination (i)						
Class A	46.25	45.50	47.50	48.95	46.00	46.50
Class B	29.75	34.30	35.50	36.05	33.75	36.00
Class C	19.00	24.50	23.75	24.65	21.50	25.00
Class D	7.50	12.35	10.75	13.35	9.75	12.00
Class E	0.00	0.00	0.00	5.35	2.75	4.85
Class F	N/A	N/A	N/A	0.00	0.00	0.00
Overcollateralization						
Initial (i)	15.50	10.50	7.00	4.10	10.50	7.00

Table 1

Credit Enhancement Summary (%) (cont.)

	UACST					
	2023-1	2022-2	2022-1	2021-1	2020-1	2019-1
Target(ii)	22.00	15.50	14.25	10.25	19.50	10.50
Floor (i)	1.00	1.00	1.00	1.00	1.50	1.00
Reserve account (i)						
Initial	1.50	1.50	1.50	1.50	1.50	1.50
Target	1.50	1.50	1.50	1.50	1.50	1.50
Floor	1.50	1.50	1.50	1.50	1.50	1.50
Total initial hard credit enhancement (i)						
Class A	63.25	57.50	56.00	54.55	58.00	55.00
Class B	46.75	46.30	44.00	41.65	45.75	44.50
Class C	36.00	36.50	32.25	30.25	33.50	33.50
Class D	24.50	24.35	19.25	18.95	21.75	20.50
Class E	17.00	12.00	8.50	10.95	14.75	13.35
Class F	N/A	N/A	N/A	5.60	12.00	8.50
Estimated excess spread per year (%)(iii)	10.04	11.13	14.94	16.85	15.65	15.11

(i)Percentage of the initial collateral pool balance. (ii)Percentage of the current collateral pool balance. (iii)Includes the 3.25% servicing fee. The estimated excess spread is pre-pricing for series 2023-1 and post-pricing for all other series, and it includes the assumed minimum weighted average annual percentage rate after prefunding requirements, where applicable. UACST--United Auto Credit Securitization Trust. N/A-–Not applicable.

Collateral Changes From UACST 2022-2

The significant collateral changes for the UACST 2023-1 cutoff date pool (as of Dec. 31, 2022) compared with series 2022-2 closing collateral pool include the following:

- The concentration of internal C-scores 850 and above increased to 34.35% from 28.62%.
- The weighted average loan-to-value (LTV) ratio decreased to 120.96% from 124.69%.
- The weighted average FICO score increased to 571 from 569.
- The weighted average payment-to-income (PTI) ratio decreased to 14.45% from 14.74%.
- Seasoning in the pool increased to approximately six months from three months.
- The percentage of called collateral rose to 9.26% from less than 1.00%.
- The percentage of loans with original terms of 67-72 months increased to 22.62% from 6.36%.
- The percentage of loans with original terms 61-66 months decreased to 25.90% from 37.87%.

We believe the UACST 2023-1 collateral pool, when considered in totality, has attributes that are stronger than UACST 2022-2 but weaker than 2022-1 (see table 2). More importantly, the pool also has a higher concentration of longer-term loans (the percentage of loans with original terms of 67-72 months increased to 22.62% from 6.36%), and UACST 2022-1's and 2022-2's recent performance are trending worse than expected (see the UACST Transaction Performance section below for more details). We factored these considerations into our ECNL of 22.25% for UACST 2023-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral Comparison(i)

	UACST					
	2023-1	2022-2	2022-1	2021-1	2020-1	2019-1
Pool balance (mil. $)	326.37	285.00	318.46	179.85	267.62	229.84
No. of receivables	23,118	19,254	27,913	16,965	27,386	24,641
Avg. current principal balance (mil. $)	14,118	14,802	11,409	10,601	9,772	9,327
WA FICO score	571	569	579	588	580	577
WA APR (%)	20.63	21.40	21.95	22.28	22.63	22.96
WA LTV ratio (%)	120.96	124.69	117.78	114.77	112.33	112.05
WA original term (mos.)	59.13	57.73	54.35	51.34	46.71	44.82
WA remaining term (mos.)	53.31	55.02	46.96	44.87	41.15	40.31
WA seasoning (mos.)	5.81	2.70	7.39	6.47	5.57	4.51
Original term 61-72 mos. (%)	48.52	44.23	28.80	18.94	11.51	8.68
New vehicles (%)	0.10	0.00	0.08	0.14	0.09	0.08
Used vehicles (%)	99.90	100.00	99.92	99.86	99.91	99.92
WA mileage	98,681	118,679	117,277	111,673	106,308	111,569
Distribution by FICO score (%)						
601 and higher	25.74	22.32	28.00	33.11	27.63	26.00
Lower than or equal to 600	56.82	56.47	55.65	52.58	52.71	54.10
No score	17.43	21.21	16.35	14.31	19.65	19.89
Top three state concentrations (%)						
	FL= 18.45	FL=21.89	FL=19.64	FL=20.23	FL=14.38	CA=11.63
	TX= 11.17	TX=9.17	CA=8.03	CA=10.65	CA=13.65	FL=11.25
	CA= 6.18	AR=5.55	TX=7.00	TX=6.71	TX=7.99	TX=9.01
S&P Global Ratings' original ECNL (%)	22.25	19.75-20.75	20.00-21.00	21.25-22.25	22.25-23.25	19.50-20.50

(i)As of the cutoff date collateral pool balance. UACST--United Auto Credit Securitization Trust. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value. ECNL--Expected cumulative net losses. N/A--Not applicable.

Macroeconomic And Auto Finance Sector Outlook

Changes in the U.S. unemployment rate are a key determinant of charge-offs in the auto finance industry, in our view. We also note that recovery values tend to weaken during recessionary periods.

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

As the Federal Reserve's (Fed), aggressive tightening of interest rates increases borrowing costs, we expect the economy to decline 0.1% this year, as it falls into a shallow recession in the first half of 2023 (see "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28, 2022). With economic pressures worsening as the Fed raises interest rates, we now expect the unemployment rate to peak at 5.6% in fourth-quarter 2023 and then slowly descend to 4.7% by fourth-quarter 2025.

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

Table 3

U.S. Economic Factors (%)

	Actual	Forecast				
	2021	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	5.9	1.8	(0.1)	1.4	1.8	1.9
Unemployment rate (annual average, %)	5.4	3.7	4.9	5.3	4.8	4.6
Consumer Price Index (annual average, %)	4.7	8.1	4.3	2.7	2.3	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: 22.25%

Our expected loss for UACST 2023-1 reflects:

- The series' collateral characteristics relative to those of the outstanding UACST series (see table 2 above);
- The managed portfolio's performance and static pool data and their relative performance (see table 4 and charts 1-2 below); and
- The outstanding series' performances, especially the more recent series, which are exhibiting higher-than-expected losses and historically low recovery rates (see table 5 below).

Given UACC's established performance track record as a frequent issuer, we placed more emphasis on origination static pool analysis and outstanding series performance when determining the expected loss for this series. 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 above).

Overall, we expect UACST 2023-1 to experience lifetime CNL of 22.25%, which is higher than 20.25% (19.75%-20.75%) for UACST 2022-2.

Managed Portfolio

UACC's serviced portfolio was approximately $975.53 million as of the fiscal year ended Dec. 31, 2022. This represents an approximately 53% increase year-over-year following the decline in 2020 due to UACC tightening its originations as a result of the pandemic (see table 4). As of fiscal 2022, total delinquencies declined slightly to 10.05% from 11.18% as of fiscal 2021. Net losses as a percentage of average outstanding receivables were 10.70%, up from 7.03% a year earlier, but lower than pre-pandemic levels.

Table 4

Managed Portfolio

	As of Dec. 31					
	2022	2021	2020	2019	2018	2017
Period-end principal balance (mil. $)	975.53	636.32	551.56	584.3	480.9	397.79
Delinquencies (%)						
31-60 days	6.43	7.21	5.84	5.61	5.43	5.25
61-90 days	2.27	2.60	2.37	2.17	2.33	2.42
91-plus days	1.34	1.38	1.43	1.43	1.59	1.25
Total	10.05	11.18	9.65	9.21	9.34	8.92
Net charge-offs (% of ending balance)	9.35	6.58	12.27	12.09	11.74	14.20
Net charge-offs (% of average balance)	10.70	7.03	11.69	12.92	12.42	15.09

Origination Static Pool Analysis

Our analysis is based on UACC's origination static pool performance in aggregate, broken out by LTV bands, FICO and LTV bands, and C-Score buckets. UACC provided quarterly vintage performance data, starting in first-quarter 2011. The company resumed originations under the new shorter-term, centralized structure in July 2009.

Our static pool analysis shows that buckets with higher FICO scores and lower LTV ratios generally performed better than those with lower FICO and higher LTV. However, we also found that no FICO buckets performed similarly to the 551-600 FICO buckets.

For our projections, we used the issuer's historical paid-off vintage loss curves from approximately 2011 to 2016. We projected losses from 2016 to 2021, including only vintages with at least 12 months of performance. We then calculated weighted average projected loss proxies for each cohort by weighting each outstanding vintage month's projected loss by the origination dollar volume for the respective vintage. Then we computed a weighted average projected loss for the UACST 2023-1 pool by weighting the loss proxies by the respective percentage of the current pool balance for each cohort.

UACST Transaction Performance

We currently maintain ratings on three UACST transactions issued between 2021 and 2022 (see table 5 and chart 1). UACST 2021-1 is performing better that our initial loss expectation. In March 2022, we revised our lifetime CNL and raised or affirmed ratings on two UACST transactions (see

"Nine Ratings Raised, One Affirmed On Two United Auto Credit Securitization Trust Transactions," published on March 11, 2022).

Table 5

UACST Collateral Performance and CNL Expectations(i)

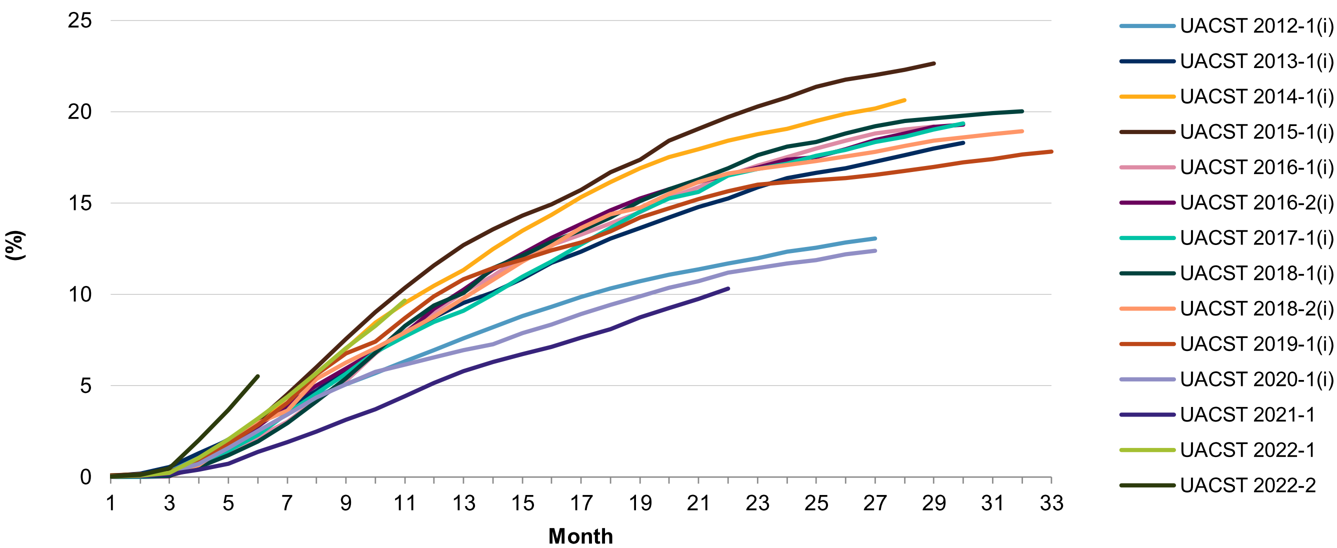
Series	Month	Pool factor (%)	CNL (%)	60-plus-day delinquency (%)	Initial/former lifetime CNL (%)	Revised lifetime CNL (%)(ii)
2021-1	22	33.21	10.32	4.35	21.25-22.25	15.50–16.50(ii)
2022-1	11	60.83	9.66	4.19	20.00-21.00	N/A
2022-2	6	80.57	5.52	4.23	20.25	N/A

(i)As of the January 2023 distribution date. (ii)Revised in March 2022. UACST--United Auto Credit Securitization Trust. CNL--Cumulative net losses. N/A--Not applicable.

Chart 1

Cumulative Net Losses By Securitization

Paid-off and outstanding



(i)Paid off. For the paid-off deals, the cumulative net losses have been updated based on a stretched projection and do not represent performance until call option was exercised. UACST--United Auto Credit Securitization Trust.

The UACST 2022-1 and 2022-2 transactions are currently experiencing higher than expected losses on both a cumulative gross loss (CGL) and CNL basis (see charts 1 and 2). We believe the higher losses on these more recent pools are attributable to the loss of COVID-19-related support payments, including the expanded child tax credit payments that ended in December 2021; inflationary pressures on UACC'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. Management also attributes these lower recovery rates to more full balance charge-offs because it is taking longer to repossess vehicles due to the industrywide shortage of repossession agents.

We recently placed our rating on the UACST 2022-2 class E notes on CreditWatch with negative implications (see "United Auto Credit Securitization Trust 2022-2 Class E Rating Placed On CreditWatch Negative," published Jan. 17, 2023).

Chart 2

Static Pool - CNL Performance

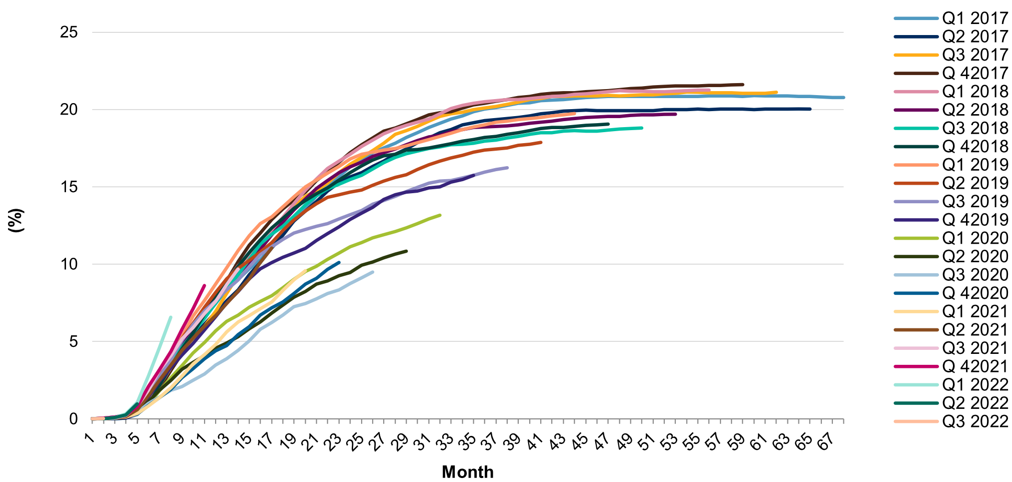
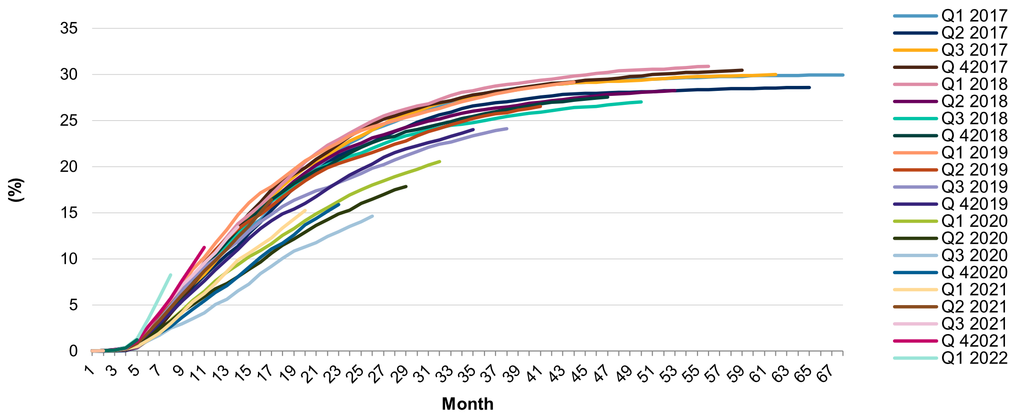


Chart 3

Static Pool - CGL Performance

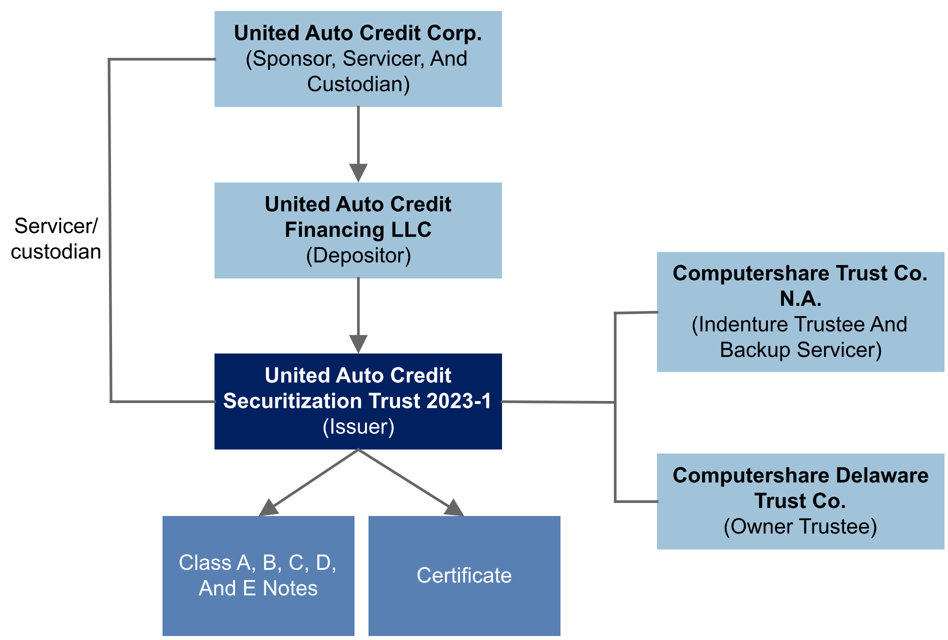


Legal Overview And Transaction Structure

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 transaction is structured as a true sale of the receivables from UACC to United Auto Credit Financing LLC, the depositor (see chart 4). The depositor will then transfer the receivables to UACST 2023-1, a newly formed special-purpose Delaware statutory trust. The issuer will pledge its interest in the receivables and its security interests in the vehicles to the indenture trustee for the noteholders' benefit.

Chart 4

Transaction Structure



UACST 2023-1 incorporates the following structural features:

- A senior-subordinated sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 15.50% of the initial collateral pool balance that build to a target of 22.00% of the current collateral pool balance before amortizing to a floor of 1.00% of the initial collateral pool balance.
- A nonamortizing reserve account amount that will equal 1.50% of the cutoff date pool balance as of the closing date.
- Excess spread of approximately 10.04% (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 shown in table 6.

Table 6

Payment Waterfall

Priority	Payment
1	To the servicer, pro rata, a servicing fee of 3.25% and any supplemental servicing fees (unless otherwise waived or deferred by the servicer in its sole discretion); and to any successor servicer, transitions fees capped at $150,000.
2	To the lockbox bank, indenture trustee, backup servicer, successor custodian, and owner trustee, pro rata, transition fees capped at $100,000 annually.
3	To the note distribution account, interest on the class A notes, pro rata.
4	To the note distribution account, the first-priority principal distributable amount.
5	To the note distribution account, interest on the class B notes.
6	To the note distribution account, the second-priority principal distributable amount.
7	To the note distribution account, interest on the class C notes.
8	To the note distribution account, the third-priority principal distributable amount.
9	To the note distribution account, interest on the class D notes.
10	To the note distribution account, the fourth-priority principal distributable amount.
11	To the note distribution account, interest on the class E notes.
12	To the note distribution account, the fifth-priority principal distributable amount.
13	To the reserve account, the reserve account deposit amount (an amount required to cause the cash on deposit in the reserve account to equal the required level).
14	To the note distribution account, the regular allocation of principal.
15	Fees not paid in items 1 and 2.
16	To the servicer, in its sole discretion, any previously waived or deferred servicing fee and supplemental servicing fee for a prior collection period.
17	Any remaining funds will be distributed to the certificate distribution account for distribution to the certificateholders.

Events of default

Under the indenture, any one of certain events will constitute an event of default:

- A default in any interest payment default on the controlling class of notes that remains uncured for five days;
- A principal default in the payment default of any note's principal on the notes' its final scheduled distribution date;
- Certain breaches of representations, warranties, and covenants by the issuer, subject to a

45-day cure period, or for a longer period not exceeding 90 days; or

- Certain events of bankruptcy relating to the issuer or the issuer's property.

Payment distributions after an event of default

On each payment date following an event of default that is related solely to a breach of a covenant, representation, or warranty but before the notes' acceleration, available funds will be distributed as outlined in table 6 above. However, there will be no limitation on fees, expenses, and indemnities in items 1 and 2, and the payment in item 14 will include all available funds until the total note balance has been reduced to zero.

On each payment date following an event of default (other than an event of default that is related solely to a breach of a covenant, representation, or warranty) and the subsequent acceleration of the notes or upon liquidation of the trust's assets, available funds will be distributed sequentially as shown in table 7.

Table 7

Payment Waterfall

Priority--monetary EOD	Payment
1	The amounts due, pro rata, to the servicer, the trustees, and the backup servicer, without regard to any caps and annual limitations.
2	The class A note interest to the class A noteholders.
3	The class A note principal to the class A noteholders until the class A note balance has been reduced to zero.
4	The class B note interest to the class B noteholders.
5	The class B note principal to the class B noteholders until the class B note balance has been reduced to zero.
6	The class C note interest to the class C noteholders.
7	The class C note principal to the class C noteholders until the class C note balance has been reduced to zero.
8	The class D note interest to the class D noteholders.
9	The class D note principal to the class D noteholders until the class D note balance has been reduced to zero.
10	The class E note interest to the class E noteholders.
11	The class E note principal to the class E noteholders until the class E note balance has been reduced to zero.
12	The servicer, in its sole discretion, the amounts due and owing to the servicer according to the priority set forth in item 16 in table 6 above.
13	Any remaining funds to the residual certificateholders.

EOD--Event of default.

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 when testing credit stability (sensitivity analysis) and the legal final analysis.

Break-even analysis

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. When assigning a rating to a class of notes, we consider the class's lower break-even levels (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, D, and E notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 9).

Table 8

Cash Flow Assumptions

Voluntary ABS (%)	1.00
Servicing fee (%)	3.25
Recovery rate (%)	30
Charge-off and recovery lag (mos.)	4
Break-even CNL timing mos. (12/24/36/48/60)(%)	
Front-loaded loss curve	45/90/100
Back-loaded loss curve	35/75/95/100

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

Table 9

Break-Even Cash Flow Results

	Class				
	A(i)	**B**	**C**	**D**	**E**
Preliminary rating	AAA (sf)	AA- (sf)	A- (sf)	BBB- (sf)	BB- (sf)
CNL timing mos. (12/24/36/48)(%)					
Front-loaded loss curve	96/100	47/92/100	46/91/100	46/92/100	46/92/100
Back-loaded loss curve	94/100	44/90/100	38/80/97/100	37/79/96/100	37/79/96/100
Approximate break-even CNL levels (%)(i)					
Required	62.30	50.51	40.72	31.60	26.70
Available: front-loaded loss curve	63.13	50.83	41.11	32.19	27.79
Available: back-loaded loss curve	63.17	51.43	42.10	32.99	28.46

(i)The maximum CNLs (with 90.0% credit to any excess spread) that 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 running break-even cash flows, we undertook a sensitivity analysis using the assumptions in table 8 above. We believe that under a moderate ('BBB') stress scenario (1.50x our 22.25% expected loss level) and with 90.00% credit to any excess spread, all else being equal, our ratings will be within the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 10 and charts 5-6).

Table 10

Credit Stability As A Limiting Factor On Ratings

	Maximum projected deterioration associated with rating levels for one- 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 5

Front-Loaded Loss Coverage

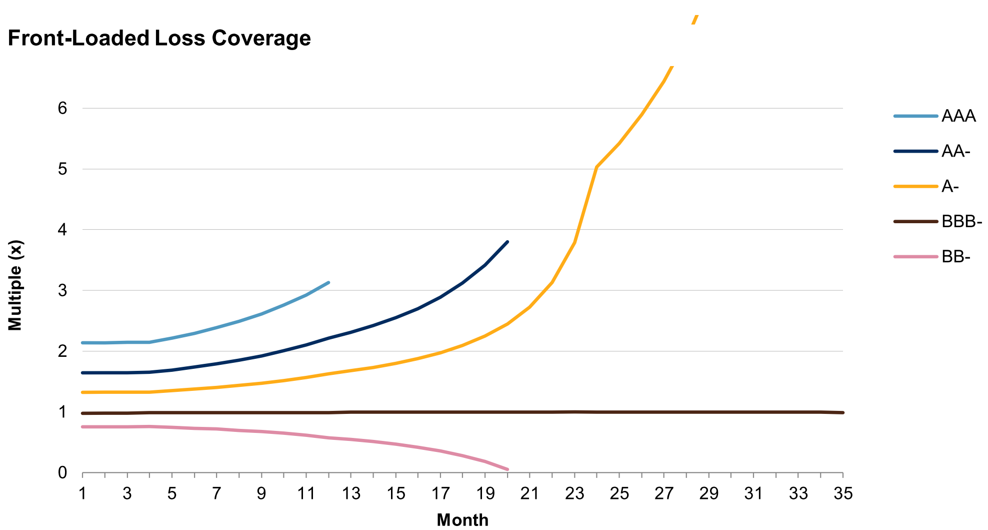
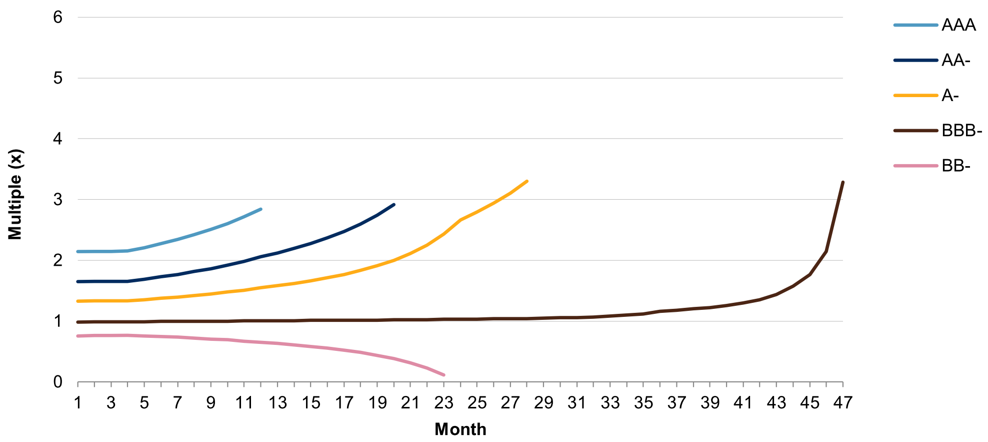


Chart 6

Back-Loaded Loss Coverage



Legal Final Maturity

To test the legal final maturity dates for the class A, B, C, D and E notes, we determined the date when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and then added three months to the result. For the longest-dated security (class E), we added six months to the tenor of the longest-dated receivable in the pool to accommodate extensions on the receivables. Further, in the break-even scenario for each respective rating level, we confirmed that the 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

On or before the closing date, the UACST 2023-1 bank accounts will be established in the name of the indenture trustee, Computershare Trust Co. N.A., as segregated trust accounts that will initially be established with the bank account provider, Wells Fargo Bank N.A. 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).

UACC has a long and established history in the subprime auto finance business. As servicer, UACC has a tenured and experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. The back-up servicer, Computershare Trust Co. N.A., is engaged for outstanding series. UACC is not rated by S&P Global Ratings, and commingling risk is addressed by the requirement that UACC deposit into the collection account all collections on the receivables within two business days of receiving those funds. Obligor loan payments will be processed through a lockbox that the indenture trustee maintains and controls, subject to an intercreditor agreement among UACC, the indenture trustee, the lockbox bank, and the warehouse providers.

The key transaction parties are subject to various regulatory investigation and or legal proceedings that may arise in their ordinary course of business. These could include, without limitation, judgments, settlements, fines, penalties, or other actions, which could be substantial and negatively affect the way servicing is conducted, and thus adversely affect the noteholders. We will assess these events and their outcomes when available to determine any impact on our counterparty and operational risk assessments.

UACC

UACC is a California corporation and a wholly owned subsidiary of Vroom Automotive Finance Corp. (VAFC; formerly known as Unitas Holdings), a California corporation. VAFC was recently acquired by, and is an indirect subsidiary of, Vroom Inc. UACC has been engaged in subprime automobile finance since 1996. Vroom Financial Services Corp. (formerly known as UPFC), a wholly owned subsidiary of VAFC, was taken public in April 1998.

UACC provides funding that allows primarily independent (but some manufacturer-franchised) motor vehicle dealers to finance their customers' purchases of new and used automobiles, light- and medium-duty trucks, and vans. The company designed its lending programs primarily to serve consumers who have limited access to traditional motor vehicle financing. Most of these borrowers have experienced prior credit difficulties and generally have credit bureau scores in the 480-630 range. As of December 2022, the portfolio's average annual percentage rate was approximately 20.7%; and, on average, the vehicles were approximately eight years old, had 104,110 miles, and were financed for approximately $18,814 over a 58-month term.

As of Dec. 31, 2022, UACC was licensed or authorized to conduct financing activities in 49 states, was party to approximately 9,800 dealer agreements, and had a portfolio size of approximately $975 million and 677 employees. The company's funding, risk management, dealer compliance, sales, marketing, accounting, and human resource functions primarily operate from its corporate headquarters in Newport Beach, Calif. Its servicing and recovery functions are primarily in Fort Worth, Texas. Its credit underwriting operations are spread across two regional centers in Buffalo, N.Y., and Newport Beach, Calif. UACC utilizes an automated decision engine for underwriting; it also has an authorized credit analyst review the results. The company verifies income and employment on all of the loan applications, according to management. In addition, UACC, as the sponsor, makes a representation in the securitization transaction documents stating that each receivable was sold without any fraud or misrepresentation on the part of the dealer or the sponsor.

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

- United Auto Credit Securitization Trust 2022-2 Class E Rating Placed On CreditWatch Negative, Jan. 17, 2023
- U.S. Auto Loan ABS Tracker: November 2022 Performance, Jan. 11, 2023
- Credit Conditions North America Q1 2023: Worse Before It Gets Better, Dec. 1, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov. 28, 2022
- Nine Ratings Raised, One Affirmed On Two United Auto Credit Securitization Trust Transactions, March 11, 2022
- Extension Rates In Public Auto Loan ABS Have Returned To Pre-Pandemic Levels, Nov. 19, 2021