S&P Global
Ratings

Research

Presale:

American Credit Acceptance Receivables Trust 2024-1

January 17, 2024

PRIMARY CREDIT ANALYST

Timothy J Moran, CFA, FRM
New York
+ 1 (212) 438 2440
timothy.moran
@spglobal.com

SECONDARY CONTACT

Sanjay Narine, CFA
Toronto
+ 1 (416) 507 2548
sanjay.narine
@spglobal.com

Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A	AAA (sf)	Senior	Fixed	170.66	Jan. 12, 2027
B	AA (sf)	Subordinate	Fixed	38.87	Nov. 12, 2027
C	A- (sf)	Subordinate	Fixed	76.13	Jan. 14, 2030
D	BBB (sf)	Subordinate	Fixed	59.80	May 13, 2030
E	BB- (sf)	Subordinate	Fixed	41.40	Nov. 12, 2031

Note: This presale report is based on information as of Jan. 17, 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 interest rate for each class will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Issuer	American Credit Acceptance Receivables Trust 2024-1.
Originator, sponsor, servicer, administrator, and custodian	American Credit Acceptance LLC.
Depositor	American Credit Acceptance Receivables LLC.
Indenture trustee and backup servicer	Computershare Trust Co. N.A. (BBB/Stable/--).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Bank account provider	Wells Fargo Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to American Credit Acceptance Receivables Trust 2024-1's (ACAR 2024-1) automobile receivables-backed notes reflect:

- The availability of approximately 64.3%, 57.5%, 46.1%, 37.5%, and 32.8% credit support (hard credit enhancement and haircut to excess spread) for the class A, B, C, D, and E notes,

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respectively, based on stressed cash flow scenarios. These credit support levels provide at least 2.35x, 2.10x, 1.59x, 1.37x, and 1.20x coverage of our expected cumulative net loss (ECNL) of 27.25% for the class A, B, C, D, and E notes, respectively (see the Credit Enhancement And Collateral and Cash Flow Modeling Assumptions And Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (1.37x 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, will remain 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 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 American Credit Acceptance LLC (ACA) as servicer, and our view of the company's underwriting and backup servicing arrangement with Computershare Trust Co. N.A. (Computershare).
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for ACAR 2024-1 is 27.25%, which is unchanged from the previous series, American Credit Acceptance Receivables Trust 2023-4 (ACAR 2023-4). It reflects:

- Our view that the ACAR 2024-1 collateral characteristics are generally comparable to those for ACAR 2023-4.
- The relative weaker performance of ACAR 2022-1, 2022-2, and 2022-3, which is trending worse than our original cumulative net loss (CNL) expectations.
- Our forward-looking view of the auto finance sector, including our outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto asset-back securities (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 credit factors are in line with our sector benchmark. Exposure to environmental credit factors is 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, in time, lower ICE vehicle values, we believe 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 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 because the pool consists of subprime obligors, while the benchmark comprises 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 also believe this risk is mitigated by representations made by the issuer that each loan when originated complied with all laws. The issuer also has a compliance department that manages its adherence to all applicable laws.

The transaction has relatively higher exposure to governance credit factors than our sector benchmark, given that 22% of the collateral pool is prefunded and the originator has a more active role during the prefunding period. This exposes investors to the risk of loosening underwriting standards or potential adverse selection. We account for this risk by assuming that the pool composition will migrate to the lowest credit quality that the pool composition tests allow (see S&P Global Ratings' Expected Loss section below).

Credit Enhancement And Collateral

Structural changes from ACAR 2023-4

- Total initial hard credit enhancement decreased for classes A, B, C, and E to 63.90%, 55.45%, 38.90%, and 16.90%, respectively, from 64.00%, 55.80%, 40.80%, and 19.25%; and increased for class D to 25.90% from 25.80%.
- Subordination for classes A, B, C, and D increased to 47.00%, 38.55%, 22.00%, and 9.00%, respectively, from 44.75%, 36.55%, 21.55%, and 6.55%.
- Initial overcollateralization decreased to 15.90% from 18.25% of the initial collateral pool balance plus the amount on deposit in the prefunding account.
- Target overcollateralization decreased to the greater of 22.15% (from 23.00%) of the current collateral pool balance and 2.50% of the initial collateral balance plus the aggregate principal balance of all subsequent receivables purchased as of the related subsequent receivables' cut-off date.
- Pre-pricing excess spread decreased slightly to an estimated 14.43%, compared with 14.48% post-pricing for ACAR 2023-4, primarily due to a higher weighted average cost of debt.

The changes in initial hard credit enhancement reflect structural optimization (see table 1). Our stressed cash flow results indicate that each class in the ACAR 2024-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings.

Table 1

Credit enhancement summary (%)

	American Credit Acceptance Receivables Trust						
	2024-1	2023-4	2023-3	2023-2	2023-1	2022-4	2022-3
Subordination(i)							
Class A	47.00	44.75	46.30	46.60	44.85	48.15	49.00
Class B	38.55	36.55	37.50	38.20	36.10	43.25	40.00

Table 1

Credit enhancement summary (%) (cont.)

	American Credit Acceptance Receivables Trust						
	2024-1	2023-4	2023-3	2023-2	2023-1	2022-4	2022-3
Class C	22.00	21.55	21.10	22.85	20.10	23.35	26.00
Class D	9.00	6.55	7.60	9.10	5.65	10.15	11.75
Class E	0.00	0.00	0.00	0.00	0.00	0.00	5.75
Class F	N/A	N/A	N/A	N/A	N/A	N/A	0.00
Overcollateralization							
Initial(i)	15.90	18.25	16.30	16.30	17.00	16.60	9.50
Target(ii)	22.15	23.00	21.75	20.00	22.50	21.20	15.50
Floor(i)	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Reserve fund(i)							
Initial	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Target	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Floor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total initial hard credit enhancement(i)							
Class A	63.90	64.00	63.60	63.90	62.85	65.75	59.50
Class B	55.45	55.80	54.80	55.50	54.10	60.85	50.50
Class C	38.90	40.80	38.40	40.15	38.10	40.95	36.50
Class D	25.90	25.80	24.90	26.40	23.65	27.75	22.25
Class E	16.90	19.25	17.30	17.30	18.00	17.60	16.25
Class F	N/A	N/A	N/A	N/A	N/A	N/A	10.50
Estimated excess spread per year(iii)	14.48	14.94	14.86	15.25	13.74	15.07	

(i)Percentage of initial collateral pool balance and subsequent receivables. (ii)Percentage of the current collateral pool balance. (iii)Excess spread pre-pricing for ACAR 2024-1 and post-pricing for other series. N/A--Not applicable.

Collateral changes from ACAR 2023-4

The significant collateral changes in the ACAR 2024-1 statistical pool as of Dec. 27, 2023, from the ACAR 2023-4 final post-prefunding pool are:

- The called collateral from various series after prefunding is expected to increase to 17.50% from 8.50%.
- The weighted average FICO score decreased slightly to 548 from 550.
- The weighted average loan balance decreased to $17,148 from $19,236.
- The weighted average loan-to-value ratio increased to 116.30% from 112.11%.
- The weighted average seasoning increased to 8.3 months from 5.1 months due to the increase in called collateral.
- The weighted average debt-to-income ratio decreased to 36.35% from 39.01%, while the

payment-to-income ratio decreased to 14.26% from 14.67%.

Overall, we believe the ACAR 2024-1 statistical collateral pool is generally comparable to that of ACAR 2023-4 (see table 2). Although the minimum concentration of CarMax paper has decreased to 50% from 60%, the percentage of called collateral is expected to more than double. The ACAR 2024-1 final collateral pool and any subsequent receivables that will be added during the prefunding period (based on the prefunding guidelines) are expected to have collateral characteristics similar to the statistical pool. We factored this into our expected loss for ACAR 2024-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison(i)

	American Credit Acceptance Receivables Trust						
	2024-1	2023-4	2023-3	2023-2	2023-1	2022-4	2022-3
Pool balance (mil. $)	249.8	585.0	550.0	400.0	340.0	380.0	310.0
No. of loans	14,568	30,411	29,187	22,683	17,929	19,505	16,780
Avg. loan balance ($)	17,148	19,236	18,844	17,634	18,964	19,482	18,474
Tier 1 (%)	50.00	60.00	61.00	62.00	60.00	56.00	58.00
Tier 2 (%)	50.00	40.00	39.00	38.00	40.00	44.00	42.00
Called collateral (%)	17.50	8.50	8.00	10.00	6.50	7.50	12.00
Weighted average							
APR (%)	24.44	24.65	24.79	24.76	24.64	24.63	24.56
LTV ratio (%)	116.30	112.11	110.23	110.54	113.60	114.48	114.79
Non-zero FICO score	548	550	548	537	541	541	544
DTI ratio (%)	36.35	39.01	37.95	36.80	37.44	40.79	42.23
PTI ratio (%)	14.26	14.67	14.81	14.92	14.76	15.26	15.94
Original term (mos.)	70.48	71.16	71.28	71.17	71.16	71.25	71.26
Remaining term (mos.)	62.17	66.07	66.01	65.43	67.05	66.96	64.63
Seasoning (mos.)	8.31	5.09	5.27	5.74	4.11	4.29	6.63
Mileage	63,361	63,877	64,112	67,163	68,686	70,553	68,014
Weighted average original term (%)							
Less than or equal to 60 mos.	6.73	4.22	3.93	3.75	3.86	3.68	3.63
61-72 mos.	92.90	94.86	95.07	96.25	96.14	96.32	96.37
73-84 mos.	0.37	0.92	1.00	0.00	0.00	0.00	0.00
FICO distribution (%)							
No score	17.83	17.69	17.64	18.16	18.69	19.31	21.65
0-500	21.26	20.05	20.89	25.23	23.99	23.72	20.88
501-600	43.49	44.21	44.59	43.33	42.03	42.13	43.05
Greater than 601	17.42	18.05	16.89	13.29	15.29	14.84	14.43
Top three state concentrations (%)							
Texas	17.53	17.27	16.05	16.76	17.44	18.29	20.08
Florida	10.45	9.57	10.13	10.11	10.30	10.10	10.96

Table 2

Collateral comparison(i) (cont.)

	American Credit Acceptance Receivables Trust						
	2024-1	2023-4	2023-3	2023-2	2023-1	2022-4	2022-3
California	9.89	9.93	9.79	8.14	8.58	7.92	9.00
S&P Global Ratings' original ECNL (%)	27.25	27.25	27.25	27.25	27.25	27.25	26.00-27.00

(i)As of the Dec. 27, 2023, statistical cut-off date for ACAR 2024-1 and final post-prefunding for other series. APR--Annual percentage rate. LTV--Loan-to-value. DTI--Debt-to-income. PTI--Payment-to-income. ECNL--Expected cumulative net loss.

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 forecast GDP growth of 2.4% because the market's resilience 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: 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. 27, 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 whose magnitude has in the past been a harbinger of a recession.

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: 27.25%

We determined our expected loss for ACAR 2024-1 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 performance (see table 4 and charts 1a-2b);
- The outstanding series' performance, with greater emphasis on recent performance (see table 5 and charts 3a-4b); and
- Our forward-looking view of the economy and the auto finance sector.

Given ACAR's 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 this series. To derive the expected loss for ACAR 2024-1, we analyzed the CNL performance through the two different channels of origination. Based on the pool's prefunding guidelines (see the Prefunding section below), we constructed a worst-case portfolio mix across the Tier 1 and Tier 2 channels. We considered ACAR 2024-1's collateral composition (see table 2), including the expected amount of called collateral in the pool and our expected losses for that portion of the pool. We complemented this analysis with our forward-looking view of the U.S. economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section above).

Overall, we expect ACAR 2024-1 to experience lifetime CNLs of 27.25%, unchanged from ACAR 2023-4.

Managed portfolio

ACA's serviced portfolio comprised contracts totaling approximately $4.26 billion as of Nov. 30, 2023, approximately a 5% year-over-year decline (see table 4). The smaller portfolio size reflects the originator's tighter underwriting standards implemented between mid-2021 and early 2023, as it seeks to increase the credit quality of the portfolio and recalibrate to the new economic environment.

Despite a shrinking denominator, total 61-plus-day delinquencies have normalized to 8.73% from 9.90%. Overall delinquencies remain high, however, since a portion of borrowers continue to churn in delinquency, making sufficient monthly payments to avoid becoming further behind, but not enough to exit delinquency status altogether.

Meanwhile, net charge-offs as a percentage of the average principal rose to 13.57% from 11.63%, comparable to 2017 levels. Vehicle recovery rates have declined from their 2021 highs, while rising inflation is putting increasing pressure on vehicle affordability and borrowers' ability to meet their monthly payment obligations.

Table 4

Managed portfolio(i)

	As of Nov. 30		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Delinquency experience							
Total receivables outstanding (mil. $)	4,255.37	4,474.35	4,412.87	4,716.01	3,969.88	3,184.56	2,399.09
31-60 days (%)	17.00	17.75	19.09	15.06	12.59	12.81	11.97
61-90 days (%)	5.34	6.51	6.45	7.24	5.57	5.31	5.03
91 days or more (%)	3.40	3.39	3.70	3.61	2.78	3.62	3.86
Total 61 days or more (%)	8.73	9.90	10.14	10.84	8.35	8.93	8.89
Total delinquencies (%)	25.74	27.65	29.23	25.91	20.94	21.74	20.86
Net loss experience							
Avg. month-end amount outstanding (mil. $)	4,282.42	4,648.83	4,629.17	4,497.80	3,639.06	2,892.65	2,216.99
Net losses (% of the avg. month-end amount outstanding)(ii)	13.57	11.63	11.77	6.84	9.09	11.57	13.15

(i)Excludes ACA portfolio purchases that are not securitized. (ii)Annualized for September 2023 and September 2022. ACA--American Credit Acceptance LLC.

Origination static pool analysis

In our analysis, we reviewed ACA's origination static pool CNL performance for its lines of business.

ACA purchases contracts through two different channels: Tier 1 and Tier 2. The Tier 1 channel focuses on purchasing contracts from CarMax through an application-sourcing arrangement. The Tier 2 channel focuses on purchasing contracts from the largest nationwide automotive dealership groups, franchised dealers, and, to a lesser extent, independent dealerships.

Table 5 shows the underwriting characteristics for each program as of third-quarter 2023. In recent years, there has been a shift toward originating a greater percentage of loans through the Tier 1 channel, which historically has performed better than Tier 2 originations. However, the programs' performance differential has been narrowing due to the inclusion of established dealerships.

Table 5

Underwriting characteristics

As of third-quarter 2023

	Tier 1 loans	Tier 2 loans
WA amount financed ($)	22,564	20,356
WA PTI ratio (%)	15.1	13.6
WA original term (mos.)	72	69
WA FICO score(i)	550	555
WA LTV ratio (%)	105.5	118.7

(i)Non-zero FICO. WA--Weighted average. PTI--Payment-to-income. LTV--Loan-to-value.

Tier 1 channel (CarMax)

The origination static pool data show, in our view, that Tier 1 loans have generally performed better than Tier 2 loans, although Tier 1 performance has been worsening of late (see charts 1a and 1b).

Chart 1a

Tier 1 (CarMax) quarterly vintage cumulative net losses
2012 Q1-2017 Q4

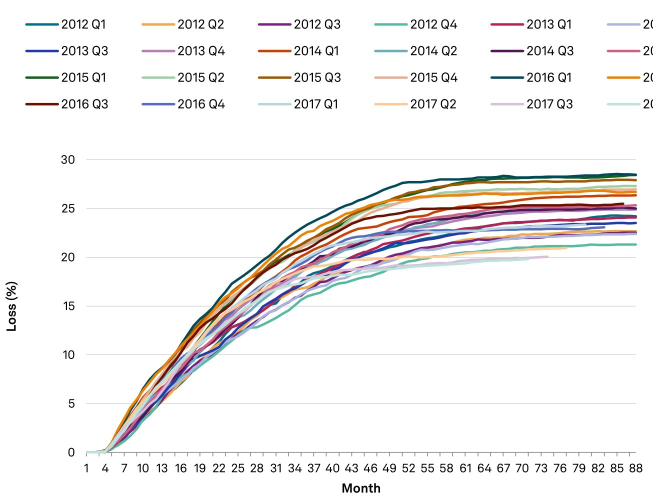
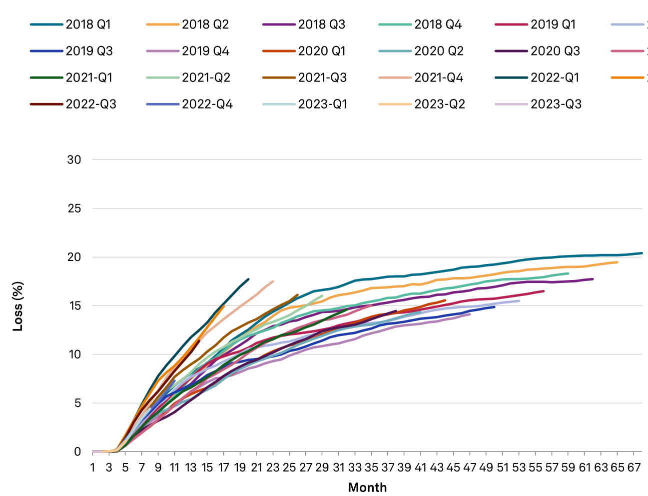


Chart 1b

Tier 1 (CarMax) quarterly vintage cumulative net losses
2018 Q1-2023 Q3



Tier 2 channel (non-CarMax)

Origination volume for the Tier 2 channel has grown over the past few years, and ACA has purchased loans from approximately 5,100 dealerships across 50 U.S. states. The origination static pool data show that Tier 2 loans have historically performed worse than Tier 1 loans. However, recent vintages have been trending better (see charts 2a and 2b).

Chart 2a

Tier 2 (non-CarMax) quarterly vintage cumulative net losses
2013 Q2-2017 Q4

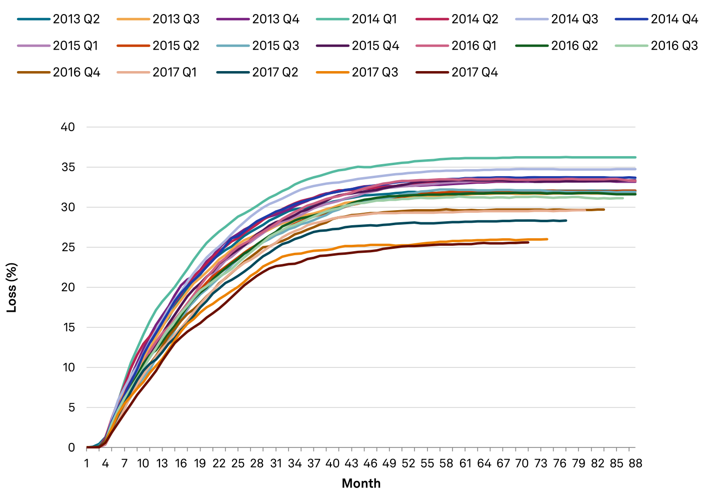
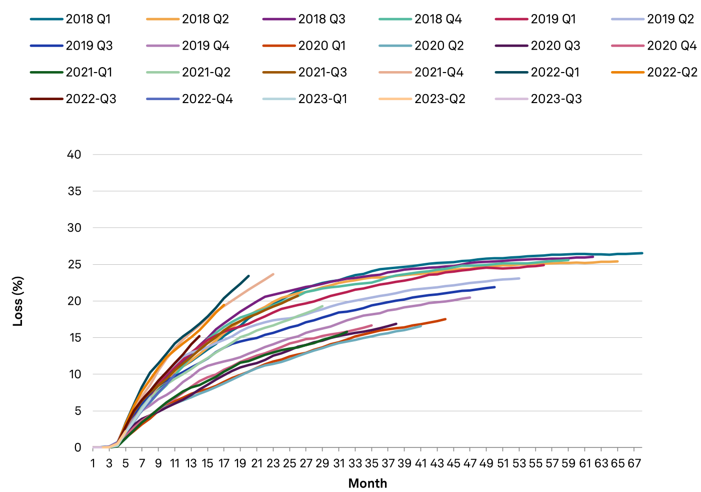


Chart 2b

Tier 2 (non-CarMax) quarterly vintage cumulative net losses
2018 Q1-2023 Q3



In our analyses, we used loss curves from the paid-off ACAR vintages to

project losses for the outstanding collateral by program. We then calculated weighted average projected loss proxies for each loan program by weighting each outstanding vintage month's projected loss by the origination dollar volume for the respective vintage. Finally, we computed a weighted average projected loss for the pool by weighting the loss proxies for each program by its respective percentage of the current pool balance and constructed a worst-case pool mix based on the prefunding guidelines.

ACAR Transaction Performance

We have ratings on 15 outstanding ACAR transactions that were issued between 2019 and 2023 (see table 6 and charts 3a-4b). These transactions generally continue to perform in line with or better than our initial expectations, except ACAR 2022-1, 2022-2, and 2022-3, which are trending worse than our original CNL expectations (see "Various Rating Actions Taken On American Credit Acceptance Receivables Trust 2022-1 And 2022-2," published April 25, 2023, and "Thirty-Nine Ratings Raised And Seven Affirmed On 12 American Credit Acceptance Receivables Trust Deals," published Aug. 16, 2022).

Table 6

American Credit Acceptance Receivables Trust collateral performance and CNL expectations(i)

Series	Month	Pool factor (%)	60-plus-day delinq. (%)	Extensions (%)	Current CNL (%)	Original lifetime CNL expectation (%)	Revised lifetime CNL expectation (%)(ii)
2020-1	46	15.82	8.73	3.64	16.22	27.25-28.25	16.75
2020-3	40	21.14	9.00	3.34	15.11	31.50-32.50	16.75
2020-4	37	22.99	9.44	3.74	15.55	31.50-32.50	17.25

Table 6

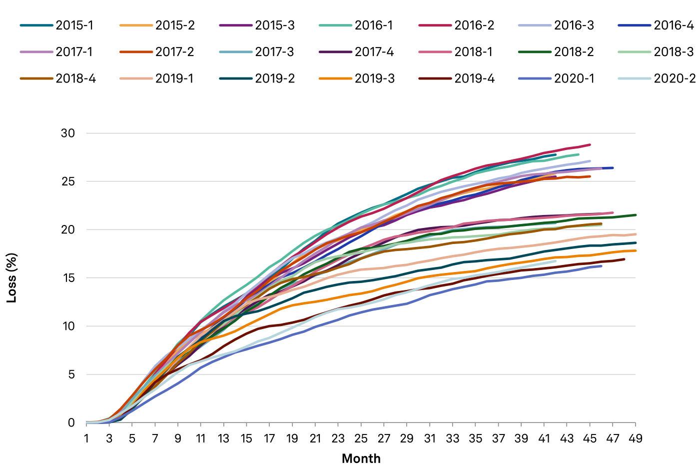
American Credit Acceptance Receivables Trust collateral performance and CNL expectations(i) (cont.)

Series	Month	Pool factor (%)	60-plus-day delinq. (%)	Extensions (%)	Current CNL (%)	Original lifetime CNL expectation (%)	Revised lifetime CNL expectation (%)(ii)
2021-1	34	25.13	9.17	3.59	15.23	30.50-31.50	17.25
2021-2	31	28.23	9.77	3.87	16.09	27.75-28.75	19.00
2021-3	38	31.67	11.27	4.41	19.61	26.50-27.50	24.00
2021-4	25	34.33	11.21	4.26	19.65	25.50-26.50	25.00
2022-1	22	39.71	11.23	3.64	21.59	25.50-26.50	30.00
2022-2	19	44.00	11.78	3.50	21.88	25.50-26.50	31.50
2022-3	16	53.56	10.07	3.80	15.86	26.00-27.00	26.00
2022-4	13	64.38	10.11	3.23	12.48	27.25	N/A
2023-1	10	74.00	8.59	3.20	8.31	27.25	N/A
2023-2	7	82.24	7.56	3.92	5.67	27.25	N/A
2023-3	4	93.00	6.67	1.47	1.09	27.25	N/A
2023-4	1	98.69	0.02	0.14	0.01	27.25	N/A

(i)As of the November 2023 distribution date. (ii)Revised in September 2023 for series 2020-1 through 2021-4 and 2022-3, and in April 2023 for series 2022-1 and 2022-2. CNL--Cumulative net losses. N/A--Not applicable.

Chart 3a

American Credit Acceptance Receivables Trust series cumulative net losses
2015-2020*



*All of these series are paid off except series 2020-1.

Chart 3b

American Credit Acceptance Receivables Trust series cumulative net losses
2020-2023

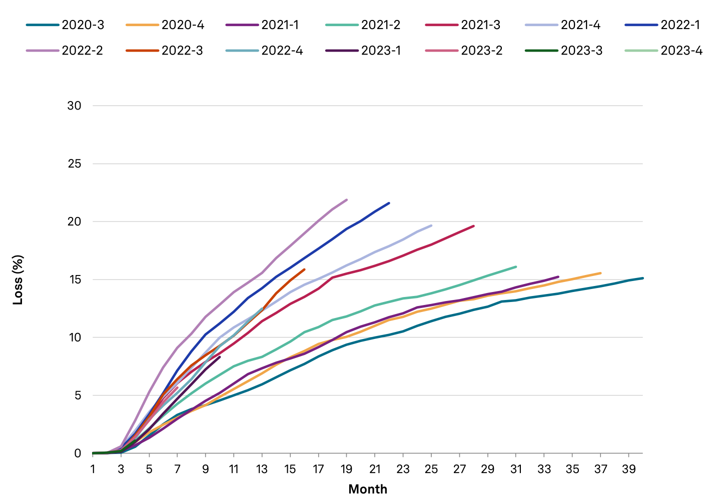
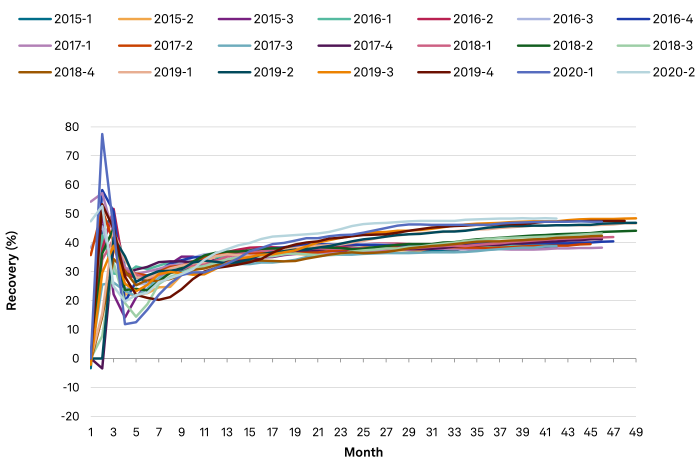


Chart 4a

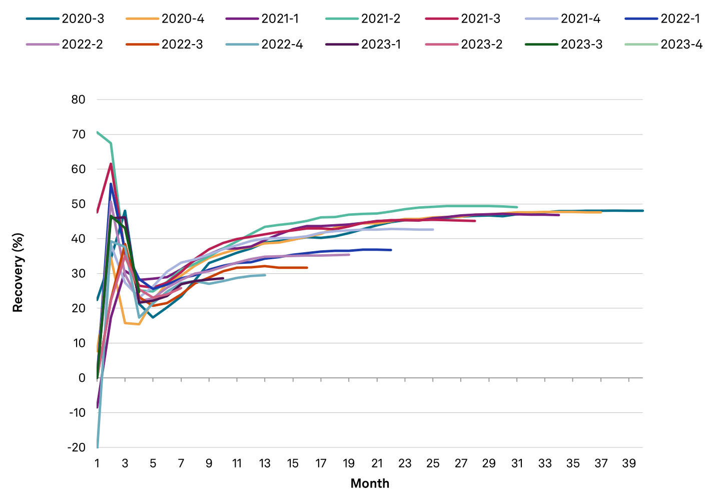
American Credit Acceptance Receivables Trust series cumulative recoveries
2015-2020*



*All these series are paid off except series 2020-1.

Charts 4b

American Credit Acceptance Receivables Trust series cumulative recoveries
2020-2023



Legal Overview And Transaction Structure

Legal overview

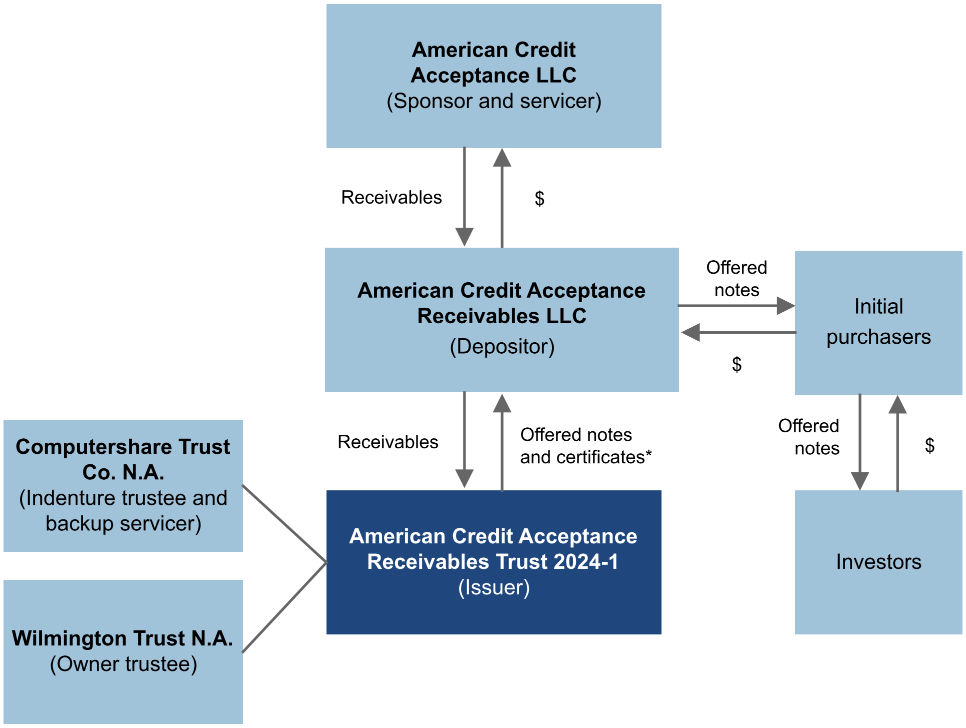
In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

The transaction is structured as a true sale of the receivables to American Credit Acceptance Receivables LLC (ACA Receivables; the depositor) from ACA. ACA Receivables is a multiuse, special-purpose Delaware limited liability company and a wholly owned, limited-purpose subsidiary of ACA.

ACA Receivables will transfer the receivables to ACAR 2024-1, 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. Computershare will be the backup servicer and indenture trustee for the transaction (see chart 5).

Chart 5

Transaction structure



*Certificates are not being offered hereby.

Transaction structure

ACAR 2024-1 incorporates the following structural features:

- A senior-subordinated sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 15.90% of the initial collateral pool balance and the amount on deposit in the prefunding account, which can build to a target of 22.15% of the current collateral pool balance by using any excess spread that is available after covering net losses to pay principal on the outstanding notes. The target overcollateralization amount is subject to a floor of 2.50% of the initial collateral balance and principal balance of the related subsequent receivables being purchased as of the related subsequent receivables' cut-off date.
- A nonamortizing reserve account amount that will equal 1.00% of the cut-off date pool balance as of the closing date. On each subsequent receivables purchase date, the depositor will deposit an amount equal to 1.00% of the principal balance of the related subsequent receivables being purchased as of the related subsequent receivables' cut-off date.
- Excess spread of approximately 14.43% (pre-pricing) per year.
- An optional clean-up call of 15% of the initial pool balance.

Prefunding

ACAR 2024-1 has a prefunding period that will end on April 30, 2024. On the closing date, the issuer will deposit approximately $85.1 million of the proceeds from the sale of the notes into the prefunding account. This amount will be used to purchase the prefunding collateral, which represents approximately 22.0% of the sum of the closing date pool balance and the subsequent receivables' expected aggregate initial principal balance.

During the prefunding period, the issuer may use the funds, if any, on deposit in the prefunding account to acquire additional receivables from the depositor. On each transfer day, the acquired amount will be equal to the product of 84.1% and the subsequent receivables' aggregate principal balances, as of the related subsequent cut-off date on each transfer date, and will occur no more than once a week.

No subsequent receivables added during the prefunding period may cause:

- The aggregate principal balance of the receivables originated through the Tier 1 strategic loans (CarMax) program to account for less than 50.0% of the aggregate principal balance of all receivables.
- The weighted average FICO score of all subsequent receivables to be less than 530.
- The weighted average original maturity of all receivables to be greater than 72 months.
- The weighted average remaining maturity of all receivables to be greater than 70 months.
- The weighted average annual percentage rate of all subsequent receivables to be less than 24.4%.
- No subsequent receivable will result in the aggregate principal balance of receivables as of their respective cutoff dates with original maturities of more than 72 months comprising more than 1.00% of the aggregate principal balance of all receivables as of their respective cutoff dates.

Payment Priority

Payment distributions before an event of default

Before an event of default, distributions will be made from available funds on each payment date according to the priority shown in table 7.

Table 7

Payment waterfall before an event of default

Priority	Payment
1	A 4.00% annual servicing fee to the servicer. To the successor servicer, if any, the transition expenses incurred from its becoming the successor servicer, to the extent not previously paid by the predecessor servicer and capped at $200,000.
2	The backup servicing and trustee fees, capped at $100,000 annually for the owner trustee and $200,000 annually for the indenture trustee and the backup servicer.
3	The class A note interest to the class A noteholders.

Table 7

Payment waterfall before an event of default (cont.)

Priority	Payment
4	The class A notes' parity deficit amount to the principal distribution account (the amount, if any, by which the class A note balance is greater than the collateral balance's sum, and, during the prefunding period, the amount on deposit in the prefunding account). On and after the final scheduled distribution date, the amount necessary to reduce the note balance to zero.
5	The class B note interest to the class B noteholders.
6	The class B notes' parity deficit amount to the principal distribution account (the amount, if any, by which the class A and B notes' aggregate balances are greater than the collateral balance's sum, and, during the prefunding period, the amount on deposit in the prefunding account). On and after the final scheduled distribution date, the amount necessary to reduce the note balance to zero.
7	The class C note interest to the class C noteholders.
8	The class C notes' parity deficit amount to the principal distribution account (the amount, if any, by which the class A, B, and C notes' aggregate balances are greater than the collateral balance's sum, and, during the prefunding period, the amount on deposit in the prefunding account). On and after the final scheduled distribution date, the amount necessary to reduce the note balance to zero.
9	The class D note interest to the class D noteholders.
10	The class D notes' parity deficit amount to the principal distribution account (the amount, if any, by which the class A, B, C, and D notes' aggregate balances are greater than the collateral balance's sum, and, during the prefunding period, the amount on deposit in the prefunding account). On and after the final scheduled distribution date, the amount necessary to reduce the note balance to zero.
11	The class E note interest to the class E noteholders.
12	The class E notes' parity deficit amount to the principal distribution account (the amount, if any by which the class A, B, C, D, and E notes' aggregate balances are greater than the collateral balance's sum, and, during the prefunding period, the amount on deposit in the prefunding account). On and after the final scheduled distribution date, the amount necessary to reduce the note balance to zero.
13	The amounts needed to achieve the required reserve account amount.
14	The aggregate principal distributable amount up to the target overcollateralization amount to class A to E notes sequentially, until each class is paid in full.
15	Any amounts owed to the backup servicer, trustee, and owner trustee to the extent not previously paid.
16	Any remaining funds to the residual noteholders.

The principal amounts paid in item 14 of the payment waterfall are designed to use all principal collections and available excess spread to reduce the notes' outstanding principal balances to the requisite overcollateralization target level. In addition, excess spread will not be released from the transaction unless the overcollateralization target level has been reached and if the excess spread is not used to cover losses.

On each payment date, the amounts deposited into the principal distribution account will be distributed to the noteholders in the priority outlined in table 8.

Table 8

Principal waterfall

Priority	Payment
1	The class A noteholders' principal distributable amount to the class A noteholders until the notes' outstanding principal balance has been reduced to zero.
2	The class B noteholders' principal distributable amount to the class B noteholders until the notes' outstanding principal balance has been reduced to zero.

Table 8

Principal waterfall (cont.)

Priority	Payment
3	The class C noteholders' principal distributable amount to the class C noteholders until the notes' outstanding principal balance has been reduced to zero.
4	The class D noteholders' principal distributable amount to the class D noteholders until the notes' outstanding principal balance has been reduced to zero.
5	The class E noteholders' principal distributable amount to the class E noteholders until the notes' outstanding principal balance has been reduced to zero.

Events of default

Events that constitute an event of default are:

- An interest payment default on the controlling class of notes that remains uncured for five days.
- A principal payment default on any note on its final scheduled distribution date.
- The issuer failing to observe or perform any material covenant or agreement and which is not cured for 45 days (up to 90 days in certain cases).
- Any issuer representation or warranty being materially incorrect and not cured for 45 days (up to 90 days in certain cases).
- The issuer becoming insolvent.

The third and fourth items require that the indenture trustee, on behalf of the holders of at least 25% of the controlling class's note balance, give written notice specifying the default and requiring it to be remedied.

Payment distributions after an event of default

On each payment date following an event of default related to a breach of a covenant, agreement, representation, or warranty, and the acceleration of the notes, the available funds will be distributed as outlined in table 7 above. However, the payment in item 14 in the table will include all available funds until the total note balance has been reduced to zero, and there will be no limitation on fees, expenses, and indemnities in item 2.

On each payment date following an event of default (other than an event of default related solely to a covenant, agreement, representation, or warranty breach) and the acceleration of the notes, or upon the trust assets' liquidation, the available funds will instead be distributed according to the priority shown in table 9.

Table 9

Payment waterfall after an event of default

Priority	Payment
1	The amounts due, pro rata, to the servicer, the trustees, and the backup servicer, disregarding the caps and limitations.

Table 9

Payment waterfall after an event of default (cont.)

Priority	Payment
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	Any remaining funds to the residual noteholders.

Servicer termination events

Events that constitute a servicer termination are:

- The servicer's failure to make any required payment or deposit that remains unremedied beyond the earlier of five business days following the due date and the distribution or deposit dates.
- The servicer's failure to deliver the investor report for any collection period to the indenture trustee, which remains unremedied beyond the earlier of two business days after the investor report was required to be delivered and the related distribution date.
- Any servicer representation or warranty proving to be materially incorrect and not being eliminated or otherwise cured within 45 days.
- The servicer's failure to observe or perform in any material respect any other covenant or agreement under the sale and servicing agreement, which failure that materially and adversely affects the noteholders' rights and continues unremedied for 45 days.
- The servicer's insolvency.

The first four servicer termination events also require that notice is given to the servicer by holders of at least 25.00% of the controlling class's note balance. Replacing the servicer requires consent from holders of at least 51.00% of the controlling class's note balance.

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.

Breakeven analysis

For the ACAR 2024-1 transaction structure, we applied the assumptions outlined in table 10 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 breakeven levels (the maximum net losses the class can withstand without defaulting) and generally expect them to be equal to or greater than the rating stressed scenario breakeven requirement.

For prefunding, we modeled those receivables as added on the last day of the prefunding period. This maximized the negative interest carry expense associated with the overissuance of bonds relative to the initial collateral amount.

Based on our stressed cash flows, the breakeven results show that the class A, B, C, D, and E notes are credit-enhanced to the degree necessary to withstand a stressed net loss level that is consistent with the assigned preliminary ratings (see table 11).

Table 10

Breakeven cash flow assumptions

Voluntary ABS (%)	0.8
Servicing fee (%)	4.0
Recovery rate ('AAA'/'AA' to 'BB-') (%)	30.0/35.0
Charge-off and recovery lag (mos.)	4
CNL timing (mos. 12/24/36/48/60) (%)	
Front-loaded loss curve	45/80/95/100
Back-loaded loss curve	30/60/80/90/100

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

Table 11

Breakeven cash flow results

	Class				
	A	B	C	D	E
Preliminary rating	AAA (sf)	AA (sf)	A- (sf)	BBB (sf)	BB- (sf)
CNL timing (mos. 12/24/36/48/60) (%)					
Front-loaded loss curve	77/100	62/100	42/81/95/100	42/81/95/100	42/81/95/100
Back-loaded loss curve	73/100	59/100	35/73/93/100	30/65/84/92/100	29/63/82/91/100

Table 11

Breakeven cash flow results (cont.)

	Class				
	A	B	C	D	E
Approx. breakeven CNL levels (%)(i)					
Required	64.0	57.2	43.3	37.3	32.7
Available: front-loaded loss curve	64.3	57.5	46.1	37.5	32.8
Available: back-loaded loss curve	64.4	57.7	47.9	39.8	34.3

(i)The maximum cumulative net losses, with 90.0% credit to any excess spread, that 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 breakeven cash flows, we undertook a sensitivity analysis using the assumptions in table 10 above but with a base-case loss curve of 40/75/95/100 (see chart 6). We believe that under a moderate ('BBB') stress scenario (1.37x of 27.25% expected loss level) and with 90.0% 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 of "S&P Global Ratings Definitions," published June 9, 2023, as shown in table 12.

Table 12

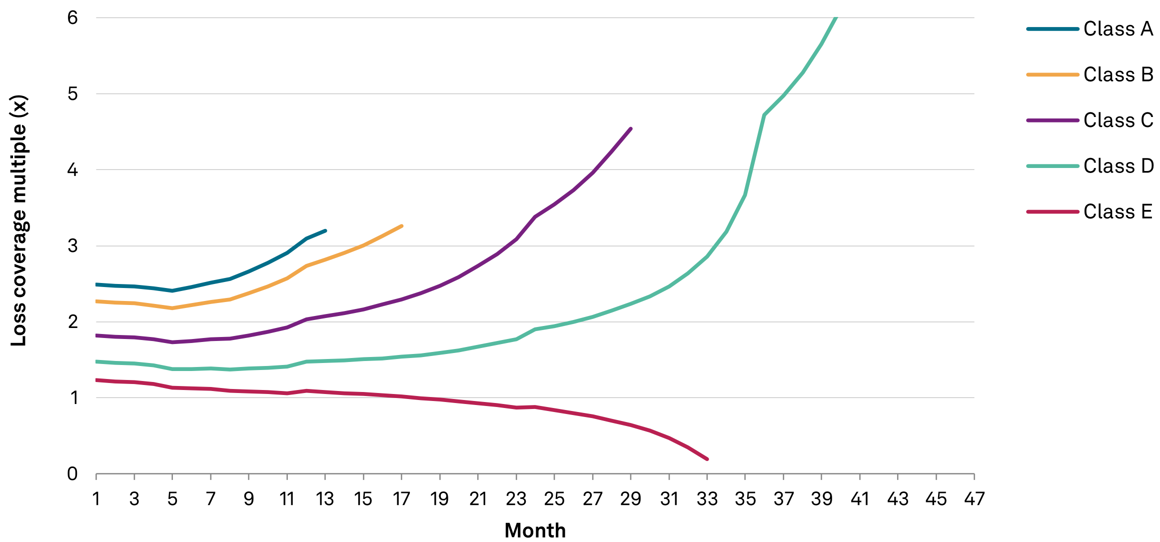
Credit stability as a limiting factor on ratings

	Maximum projected deterioration(i) associated with rating levels for one- and three-year horizons under moderate stress conditions					
	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



Legal final maturity

To test the legal final maturity dates set for classes A through D, we determined the date at which the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and added three months to the result. To test the legal final maturity date for class E, which is the longest-dated class, we determined the latest maturing loan's distribution date, assuming all the prefunded loans are originated on the last day of the prefunding period (three months) plus six months to accommodate extensions. Further, in the breakeven scenario for each respective rating level, we confirmed that there was sufficient credit enhancement to cover losses and repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

The ACAR 2024-1 bank accounts will be established in the name of the indenture trustee, Computershare Trust Co. N.A., as segregated trust accounts, and they 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).

ACA has a long and established history in the subprime auto finance business. As servicer, ACA has a tenured and experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A back-up servicer, Computershare Trust Co. N.A., is engaged for outstanding series. ACA 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 ACA as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

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

ACA

ACA is a subprime auto finance company headquartered in Spartanburg, S.C. It was established in 2007 with its purchase of Sonic Automotive's in-house finance company, formerly known as Cornerstone Acceptance. ACA is 79.4% owned by three trusts whose beneficiaries are George D. Johnson Jr., Susanna J. Shannon, and George D. Johnson III. The remaining ownership is divided among other investors (14.2%) and ACA management (6.4%).

The company has been consistently profitable since 2009. Based on its unaudited Dec. 31, 2023, financial statements, it had approximately $3.54 billion in assets, $1.18 billion in loss-absorbing capital, and $164.9 million in subordinated debt provided by the Johnson family and a mix of other associated shareholders. ACA has a diversified funding platform, including a $365.0 million syndicated working capital facility and several committed revolving warehouse facilities from established financial institutions for approximately $1.9 billion.

The company has been servicing loans on its own centralized collection system since 2010. In addition to functioning offshore collection and servicing sites, ACA conducts its collection operations out of its servicing centers in Spartanburg, Atlanta, and Boise, Idaho. As of Dec. 31, 2023, there were approximately 544 fully dedicated employees (domestic and offshore) on the servicing and collection teams.

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: November 2023 Performance, Jan. 9, 2024
- 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
- Thirty-Four Ratings Raised And Five Affirmed On 10 American Credit Acceptance Receivables Trust Transactions , Sept. 14, 2023
- Various Rating Actions Taken On American Credit Acceptance Receivables Trust 2022-1 And 2022-2, April 25, 2023