Presale:

Flagship Credit Auto Trust 2024-1

April 3, 2024

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	37.80	April 15, 2025
A-2	AAA (sf)	Senior	Fixed	145.00	March 15, 2028
A-3	AAA (sf)	Senior	Fixed	34.64	Oct. 16, 2028
B	AA (sf)	Subordinate	Fixed	37.62	April 16, 2029
C	A (sf)	Subordinate	Fixed	46.98	Feb. 15, 2030
D	BBB (sf)	Subordinate	Fixed	33.30	April 15, 2030
E	BB (sf)	Subordinate	Fixed	11.70	May 15, 2031

Note: This presale report is based on information as of April 3, 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 coupons for each class will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Issuer	Flagship Credit Auto Trust 2024-1.
Originator, servicer, and custodian	Flagship Credit Acceptance LLC.
Originator	CarFinance Capital LLC.
Seller and sponsor	FC Funding LLC
Depositor	FCA Asset Securities LLC.
Indenture trustee and backup servicer	UMB Bank N.A. (A/Negative/A-1).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Underlying trust	Flagship Credit Auto Grantor Trust 2024-1.
Bank account provider	UMB Bank N.A. (A/Negative/A-1).

Rationale

The preliminary ratings assigned to Flagship Credit Auto Trust 2024-1's (FCAT 2024-1's) automobile receivables-backed notes reflect:

- The availability of approximately 47.47%, 40.77%, 31.53%, 24.18%, and 21.34% credit support--hard credit enhancement and haircut to excess spread--for the class A (classes A-1, A-2, and A-3, collectively), B, C, D, and E notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 3.50x, 3.00x, 2.30x, 1.75x, and 1.55x coverage of our expected net loss (ECNL) of 13.50% 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).
- The expectation that under a moderate ('BBB') stress scenario (1.75x 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 the 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 subprime automobile loans in this transaction, our view of the credit risk of the collateral, our updated macroeconomic forecast, and our 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 UMB Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Flagship Credit Acceptance LLC (Flagship) as servicer, along with our view of the company's underwriting and the backup servicing arrangement with UMB Bank.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for FCAT 2024-1 is 13.50%, which is higher than the 12.50% for FCAT 2023-3. It reflects:

- The relative weaker performance of FCAT 2021-3, 2021-4, 2022-1, 2022-2 and 2022-3, including our increase in each series' remaining cumulative net loss (CNL) expectations.
- Our view that FCAT 2024-1's collateral characteristics are stronger than those of FCAT 2023-3, primarily due to the pool's stronger program distribution. Furthermore, the FCAT 2024-1 collateral pool is more reflective of the tightened underwriting guidelines implemented in 2023.
- Our forward-looking view of the auto finance sector including our outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (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 our current approach to evaluating recovery values adequately accounts for vehicle values over the relatively short expected life of the transaction. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

We believe the transaction has relatively higher exposure to social credit factors than our sector benchmark because the transaction has a pool 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 believe this risk is mitigated by representations made by the issuer that each loan complied with all laws when it was originated. The issuer also has a compliance department managing its adherence to all applicable laws.

Credit Enhancement And Collateral

Structural changes from FCAT 2023-3

- Total initial hard credit enhancement for the classes A, B, C, D, and E increased to 40.60%, 30.15%, 17.10%, 7.85%, and 4.60%, respectively, from 36.45%, 27.60%, 15.85%, 6.90%, and 1.50%.
- Subordination for the class A notes increased to 36.00% from 34.95% and decreased for classes B, C, and D to 25.55%, 12.50%, and 3.25%, respectively, from 26.10%, 14.35%, and 5.40%.
- Initial overcollateralization increased to 3.60% of the initial collateral pool balance from 0.50% and will grow to a target of 7.80% (from 4.85%) of the initial collateral pool balance.
- Pre-pricing excess spread increased to an estimated 12.36% from 11.83% (post-pricing).

The increase in initial hard credit enhancement (see table 1) reflects our higher ECNL of 13.50%. Our stressed cash flow results indicate that each class in the FCAT 2024-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section).

Table 1

FCAT credit enhancement summary (%)

	2024-1	2023-3	2023-2	2023-1	2022-4
Subordination(i)					
Class A	36.00	34.95	35.65	34.40	32.20
Class B	25.55	26.10	27.30	26.15	25.50
Class C	12.50	14.35	16.00	15.35	14.60

Table 1

FCAT credit enhancement summary (%) (cont.)

	2024-1	2023-3	2023-2	2023-1	2022-4
Class D	3.25	5.40	8.00	7.65	8.50
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(i)	3.60	0.50	0.50	1.75	4.50
Target(ii)	7.80	4.85	6.75	7.50	9.90
Floor(iii)	1.00	1.00	1.00	1.00	1.00
Reserve fund(iii)					
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 hard credit enhancement(i)					
Class A	40.60	36.45	37.15	37.15	37.70
Class B	30.15	27.60	28.80	28.90	31.00
Class C	17.10	15.85	17.50	18.10	20.10
Class D	7.85	6.90	9.50	10.40	14.00
Class E	4.60	1.50	1.50	2.75	5.50
Excess spread per year (estimated)(iv)	12.36	11.83	11.24	9.93	7.82

(i)Percentage of the initial collateral balance. (ii)Percentage of the current collateral balance. (iii)Percentage of the initial and prefunded collateral balance (if applicable). (iv)Includes the servicing fee of 2.50%. FCAT--Flagship Credit Auto Trust.

Collateral changes from FCAT 2023-3

The significant collateral changes for FCAT's 2024-1 statistical pool as of the Feb. 29, 2024, from series 2023-3's closing collateral pool include that:

- The percentage of direct loans–-which historically performed better than indirect loans–-increased to 21.25% from 19.94%.
- The percentage of indirect loans from the non-standard credit tier decreased to 7.88% from 11.55%.
- The weighted average FICO score increased to 592 from 588.
- The percentage of loans with original terms greater than 60 months decreased slightly to 93.76% from 94.62%.
- The weighted average payment-to-income ratio decreased to 10.91% from 11.53%.
- Seasoning increased to 3.29 from 2.02.

In the series 2024-1 collateral pool, the non-standard credit tier is presented as a separate credit program under indirect loans. Previously, it was combined across the A to E credit programs. For ease of comparison to series 2024-1, the non-standard credit program has been separated from the other credit programs for series 2023-3 to 2022-4 (see table 2).

Overall, we believe the FCAT 2024-1 statistical collateral pool is stronger than that of the FCAT 2023-3's pool (see table 2). The final collateral pool as of March 31, 2024, is not expected to be materially different from the statistical pool. We have factored this into our expected loss for FCAT 2024-1 (see the S&P Global Ratings' Expected Loss section).

Table 2

FCAT collateral characteristics(i)

	2024-1	2023-3	2023-2	2023-1	2022-4
Amount (mil. $)(ii)	323.08	351.76	452.26	455.00	420.00
No. of contracts	14,022	13,402	17,291	17,972	15,712
Avg. original loan amount ($)	25,166	27,444	26,519	26,876	26,731
Weighted average					
APR (%)	21.12	20.77	20.44	19.10	18.51
FICO score	592	588	586	588	586
LTV ratio (%)	121	119	121	121	120
Original term (mos.)	71.08	71.17	71.00	70.79	70.58
Remaining term (mos.)	67.79	69.14	69.77	68.37	68.03
Seasoning (mos.)	3.29	2.02	1.23	2.42	2.55
Percentage (%)					
No FICO score	0.00	0.00	0.00	0.00	0.00
Original term 61-72 months	92.66	94.39	94.30	91.29	89.43
Original term 73-78 months	1.10	0.24	0.26	0.29	0.57
New vehicles	15.51	18.19	15.90	17.77	18.75
Used vehicles	84.49	81.81	84.10	82.23	81.25
Indirect credit programs (%)					
Group A	19.06	20.74	16.18	11.12	11.98
Group B	33.39	32.64	30.38	26.88	28.10
Group C	15.33	12.66	17.03	21.30	21.62
Group D	0.73	0.75	1.34	3.93	7.20
Group E	0.02	0.04	0.02	0.06	0.73
Non-standard(iii)	7.88	11.55	17.06	13.88	13.78
Total indirect (%)(iv)	76.41	78.38	82.01	77.17	83.41
Total direct (%)(iv)	21.01	19.75	17.54	20.03	16.23
Called collateral (%)	2.60	1.87	0.46	2.80	0.36
Top five state (%)					
	TX 21.52	TX 19.13	TX 20.08	TX:18.92	TX: 20.94
	FL 6.92	FL 8.10	FL 9.83	FL:11.28	CA: 7.07
	CA 6.72	CA 6.29	CA 6.01	CA:5.96	GA: 6.56
	AZ 6.21	AZ 5.29	GA 5.34	AZ:5.43	AZ: 6.24
	OH 5.67	GA 5.52	AZ 5.28	GA: 5.38	OH: 4.32

Table 2

FCAT collateral characteristics(i) (cont.)

	2024-1	2023-3	2023-2	2023-1	2022-4
Initial ECNL (%)	13.50	12.50	12.50	12.25	11.50

(i)All percentages are of the principal balance. (ii)The amounts for series 2023-3, 2023-2, 2023-1, and 2022-4 are as of the respective initial cutoff dates. The amounts for series 2024-1 are as of the statistical date. (iii)Previously, the non-standard credit tier was combined in the percentages in tiers A–E. In connection with series 2024-1, the non-standard percentage has been separated into its own credit tier for series 2022-4 through 2024-1. (iv)Percentages do not incorporate called collateral. FCAT--Flagship Credit Auto Trust. APR--Annual percentage rate. LTV--Loan-to-value. 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 raise our 2024 U.S. GDP forecast to 2.4% from 1.5%. Although this is slightly weaker than the 2.5% growth the U.S saw in 2023, the labor market remains sturdy, with strong job gains in both December 2023 and January 2024 and wage gains in most industries remaining above the inflation rate. Nonetheless, we expect unemployment to increase slightly to 3.9% this year from 3.6% in 2023 (see "U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going," published Feb. 21, 2024).

We are also closely watching certain developments:

- Consumers are showing signs of strain due to increased debt loads. The ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods, according to the Federal Reserve Bank of New York/Equifax credit data. This is driven primarily by the subprime segment, which represents about one-seventh of the total outstanding auto loan balance.
- Employment in the temporary help services sector was down 7.0% in January from a year ago. A decline of this magnitude has been a harbinger of weaker future demand for permanent workers.
- Student loan payments resumed in October 2023, which is putting upward pressure on debt service ratios. This could lead to even higher consumer delinquencies and charge-offs.

We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan and lease payments before their other consumer and student loan payments. Furthermore, in the auto market, as new vehicle supply imbalances continue to ease, inventory levels rebuild, and manufacturer incentives increase, we expect used vehicle values to continue to normalize to historical levels.

Table 3

U.S. economic factors

	Actual	Forecast			
	2023	2024	2025	2026	2027
Real GDP (% year-over-year growth)	2.5	2.4	1.5	1.6	1.8

Table 3

U.S. economic factors (cont.)

	Actual	Forecast			
	2023	2024	2025	2026	2027
Unemployment rate (% annual average)	3.6	3.9	4.2	4.3	4.2
Consumer Price Index (% annual average)	4.1	2.8	2.0	2.4	2.4

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

S&P Global Ratings' Expected Loss: 13.50%

We determined our expected loss for FCAT 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 performances (see table 4 and charts 1a through 2b); and
- The outstanding series' performance (see table 5 and chart 3).

Given Flagship'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. 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 FCAT 2024-1 notes to experience lifetime CNLs of 13.50%, higher than the 12.50% for FCAT 2023-3.

Managed portfolio

As of Dec. 31, 2023, receivables amounted to $3.55 billion, an approximate 0.34% increase year-over-year (see table 4). The stable portfolio size reflects the originator's tighter underwriting standards implemented at the end of 2022 and in 2023 as it seeks to increase the credit quality of the portfolio in view of the prevailing economic environment. Net losses and total delinquencies increased to 7.88% and 16.79%, respectively, compared to 4.88% and 13.92% a year earlier. Vehicle recovery rates are normalizing from their 2021 highs, and inflation is putting increasing pressure on vehicle affordability and borrowers' ability to meet their monthly payment obligations.

Table 4

Managed portfolio(i)

	As of Dec. 31				
	2023	2022	2021	2020	2019
Portfolio at end of period (mil. $)	3,549.10	3,537.11	2,892.35	3,081.74	3,223.54
Avg. month-end amount outstanding (mil. $)	3,627.18	3,314.20	2,978.77	3,193.94	3,020.07
Delinquencies (%)(ii)					
31-60 days	9.76	8.42	6.55	7.51	7.33
61-90 days	4.06	3.90	2.67	2.41	2.27

Table 4

Managed portfolio(i) (cont.)

	As of Dec. 31				
	2023	2022	2021	2020	2019
90+ days	2.98	1.59	1.21	1.04	0.87
Total delinquencies (% of the portfolio at period end)	16.79	13.92	10.43	10.96	10.47
Repossessions (mil. $)	9.79	41.84	17.66	19.09	29.56
Repossessions (% of the portfolio at month end)	0.28	1.18	0.61	0.62	0.92
Total delinquency, repossessed, and bankrupt assets (% of the portfolio at period end)	18.92	16.88	13.24	14.32	14.39
Net charge-offs (mil. $)	285.85	161.88	94.87	137.72	157.25
Annualized net charge-off (% of avg. month-end amount outstanding)(iii)	7.88	4.88	3.18	4.31	5.21

(i)The percentages may not add to exactly 100% due to rounding. (ii)Delinquencies are as a percentage of the portfolio at the end of the period. (iii)Net charge-offs equal gross charge-offs minus recoveries. Recoveries include repossession proceeds received from the sale of repossessed financed vehicles net of repossession expenses, refunds of unearned premiums from credit life and credit accident and health insurance, extended service contract costs obtained and financed in connection with the vehicle financing, and recoveries from obligors on deficiency balances.

Origination static pool analysis

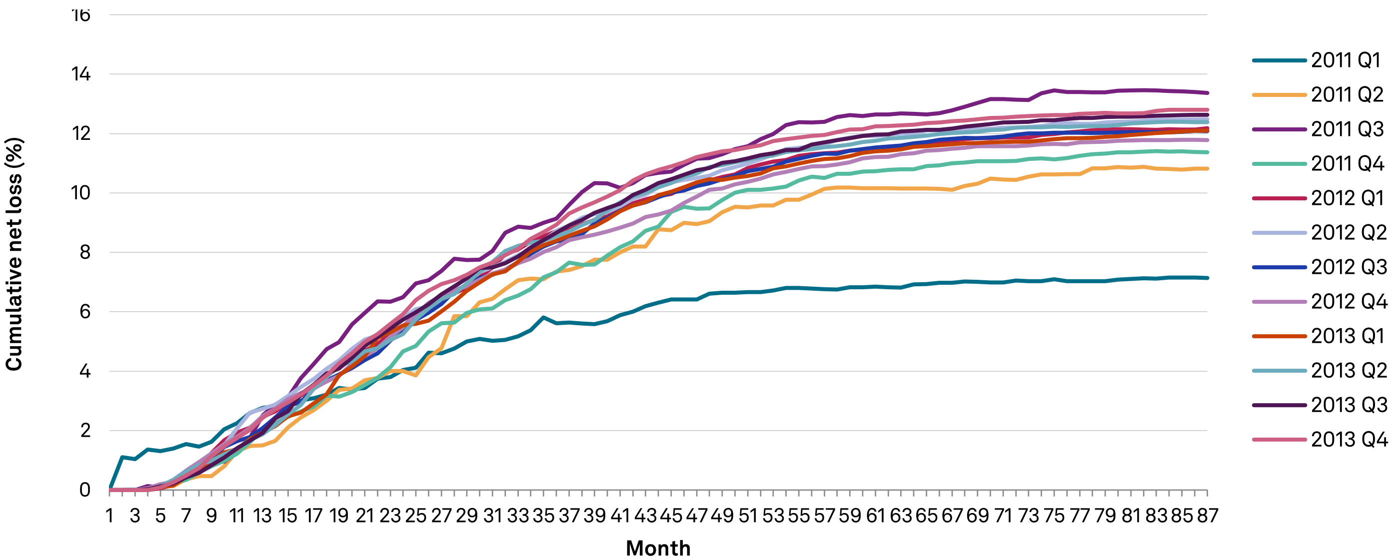
Our analysis is based on approximately 10 years (2012-2023) of static pool data on the company's direct and indirect programs (see charts 1a through 2b). We analyzed the programs' quarterly origination data, segmented by credit grades to establish paid-off loss curves and to project losses. We calculated weighted average projected loss proxies for each program and credit 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 pool by weighting the loss proxies for programs and credit grades by their respective percentage of the series 2024-1 collateral pool balance.

While loss performance on the latter 2021 and early 2022 vintages is weaker than prior vintages, we are observing slight improvements in the third and fourth-quarter 2022 vintages, although it is still early. This could be a result of credit tightening measures Flagship undertook toward the end of 2022.

Chart 1a

Flagship Credit Acceptance LLC quarterly cumulative net losses(i)

Q1 2011 through Q4 2013

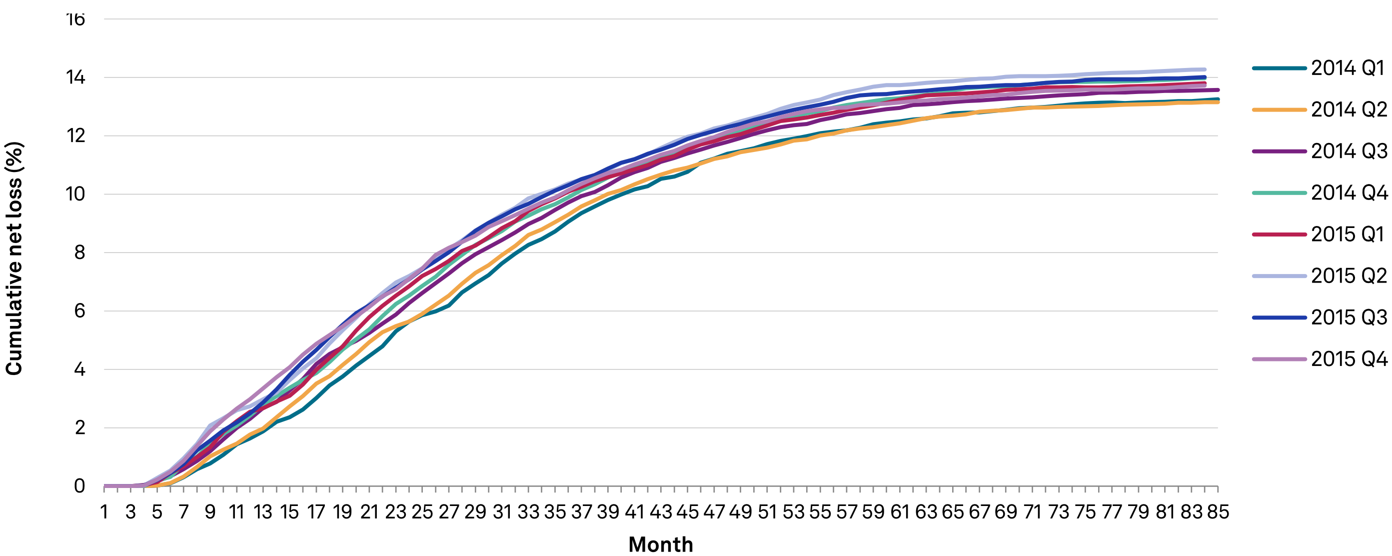


(i)Performance is net of repossession fees.

Chart 1b

Flagship Credit Acceptance LLC quarterly cumulative net losses(i)

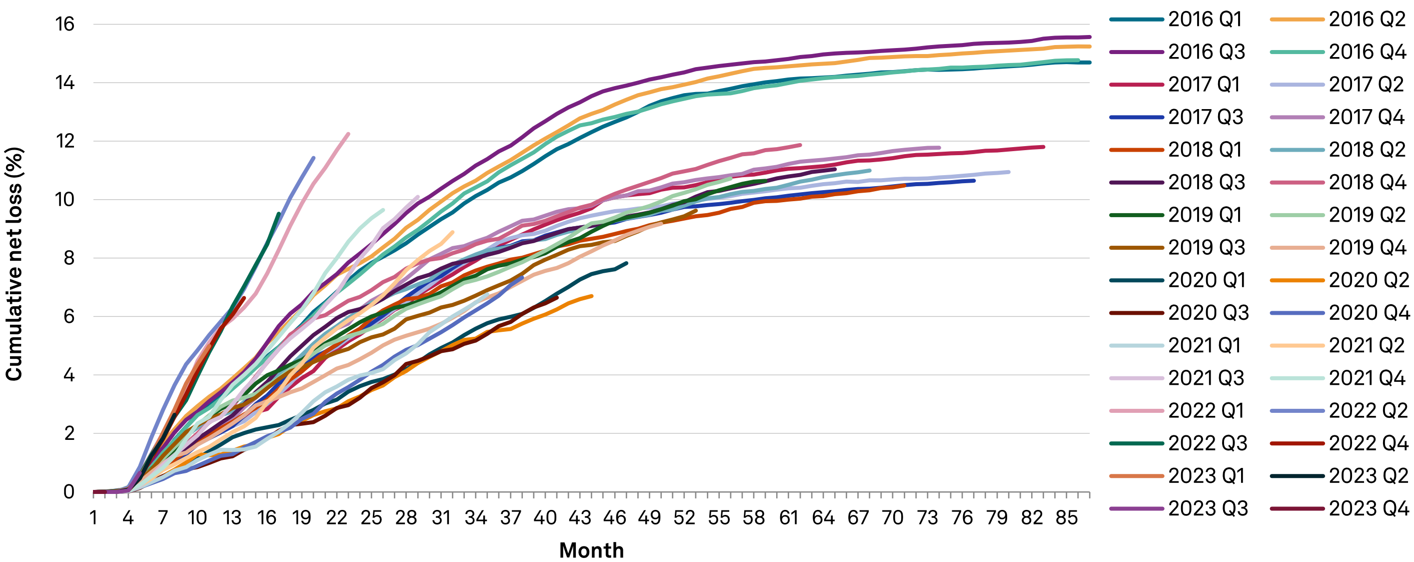
Q1 2014 through Q4 2015



(i)Performance is net of repossession fees.

Chart 1c

Indirect Flagship Credit Acceptance LLC quarterly cumulative net losses(i)

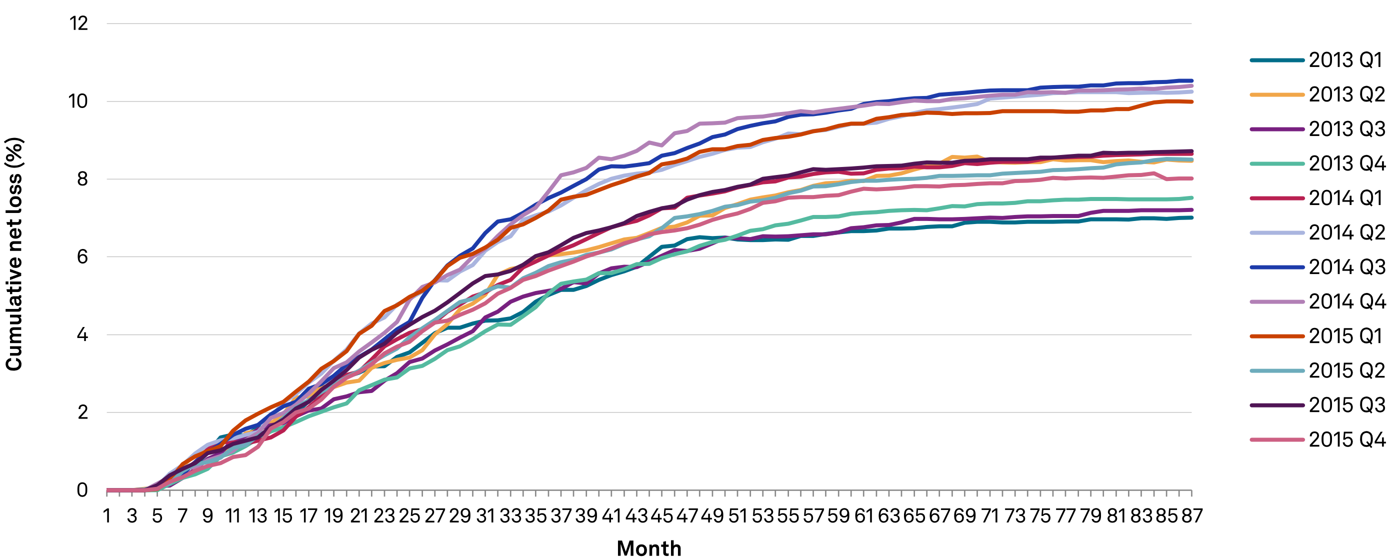


(i)Performance is net of repossession fees.

Chart 2a

Direct refinance-only quarterly cumulative net losses(i)

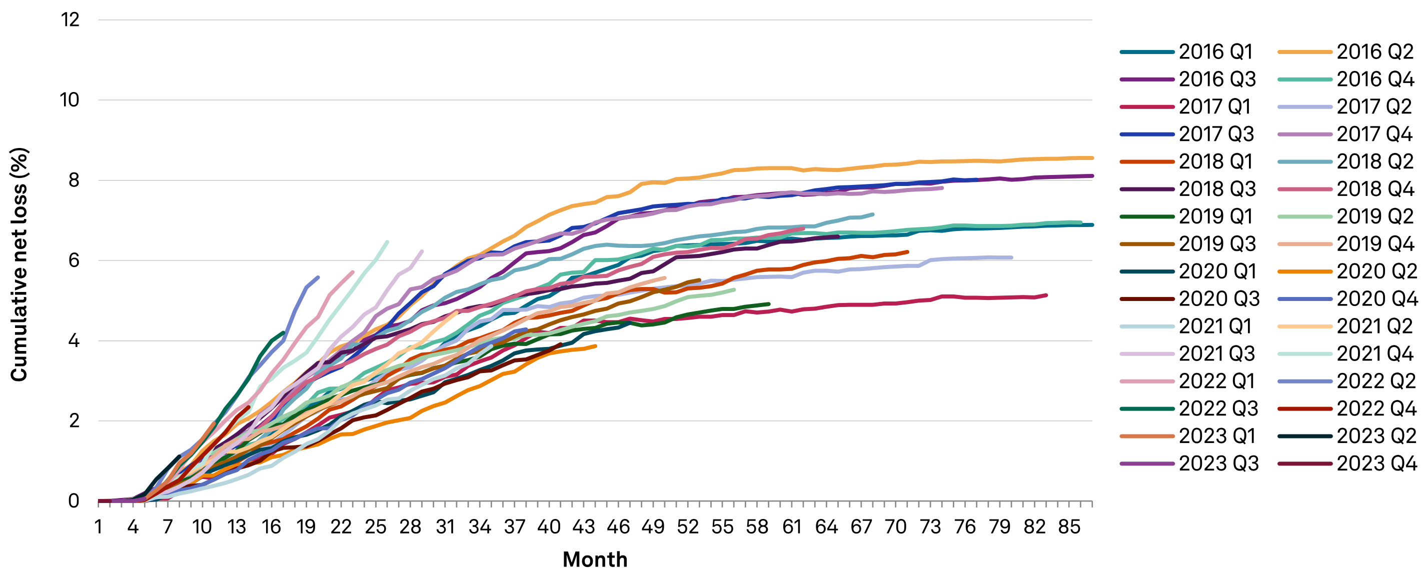
Q1 2013 through Q4 2015



(i)Performance is net of repossession fees.

Chart 2b

Direct refinance-only quarterly cumulative net losses(i)



(i)Performance is net of repossession fees.

FCAT transaction performance

We have outstanding ratings on 20 FCAT ABS transactions (see table 5). These transactions generally continue to perform in line with or better than our initial expectations, except for latter 2021 and 2022 series, which are performing worse than our original or revised CNL expectations (see "Twenty Ratings Raised And 14 Affirmed From 12 Flagship Credit Auto Trust Transactions" published Nov. 13, 2023, and "Various Rating Actions Taken On Six Flagship Credit Auto Trust Transactions" published Feb. 5, 2024).

Table 5

FCAT performance as of the March 2024 distribution date

Series	Current month	Pool factor	60+ day delinq. (%)	Current CNL (%)	Initial expected lifetime CNL (%)	Revised/maintained expected lifetime CNL (%)
FCAT 2018-4	64	5.89	11.49	10.75	12.25-12.75	11.25(i)
FCAT 2019-1	61	7.50	11.62	10.35	12.25-12.75	11.25(i)
FCAT 2019-2	58	9.00	12.55	9.54	12.25-12.75	10.50(i)
FCAT 2019-3	55	10.86	11.54	9.40	12.25-12.75	10.60(i)
FCAT 2019-4	52	12.32	9.78	8.73	12.00-12.50	10.00(i)

Table 5

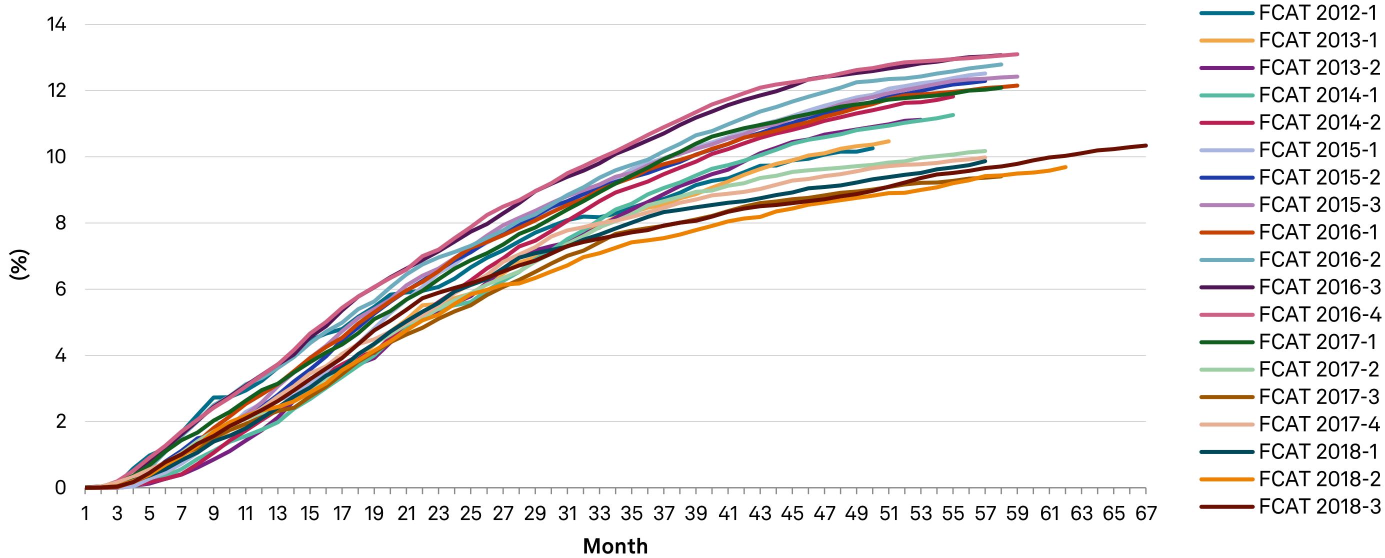
FCAT performance as of the March 2024 distribution date (cont.)

Series	Current month	Pool factor	60+ day delinq. (%)	Current CNL (%)	Initial expected lifetime CNL (%)	Revised/maintained expected lifetime CNL (%)
FCAT 2020-1	49	13.44	9.56	7.33	12.00-12.50	8.75(i)
FCAT 2020-2	46	14.38	8.57	6.22	14.00-14.50	7.75(i)
FCAT 2020-3	43	17.84	8.85	6.35	14.00-14.50	8.75(i)
FCAT 2020-4	40	19.54	8.56	6.00	13.25-13.75	8.50(i)
FCAT 2021-1	37	22.36	7.46	5.83	13.00-13.50	8.75(i)
FCAT 2021-2	34	27.84	7.95	6.72	11.50-12.00	10.25(i)
FCAT 2021-3	31	33.61	8.98	9.01	11.00-11.50	12.50(ii)
FCAT 2021-4	28	38.35	8.18	9.42	11.25-11.75	13.75(ii)
FCAT 2022-1	25	44.55	8.18	9.55	11.25-11.75	15.25(ii)
FCAT 2022-2	22	51.68	8.67	11.85	11.50-12.00	19.50(ii)
FCAT 2022-3	19	57.42	9.23	10.41	11.25-11.75	19.50(ii)
FCAT 2022-4	16	64.58	8.30	8.16	11.25-11.75	N/A
FCAT 2023-1	13	72.26	7.09	5.53	12.25	N/A
FCAT 2023-2	10	80.81	6.11	4.47	12.50	N/A
FCAT 2023-3	7	88.67	6.28	2.22	12.50	N/A

(i)Revised in November 2023. (ii)Revised in February 2024. N/A--Not applicable.

Chart 3a

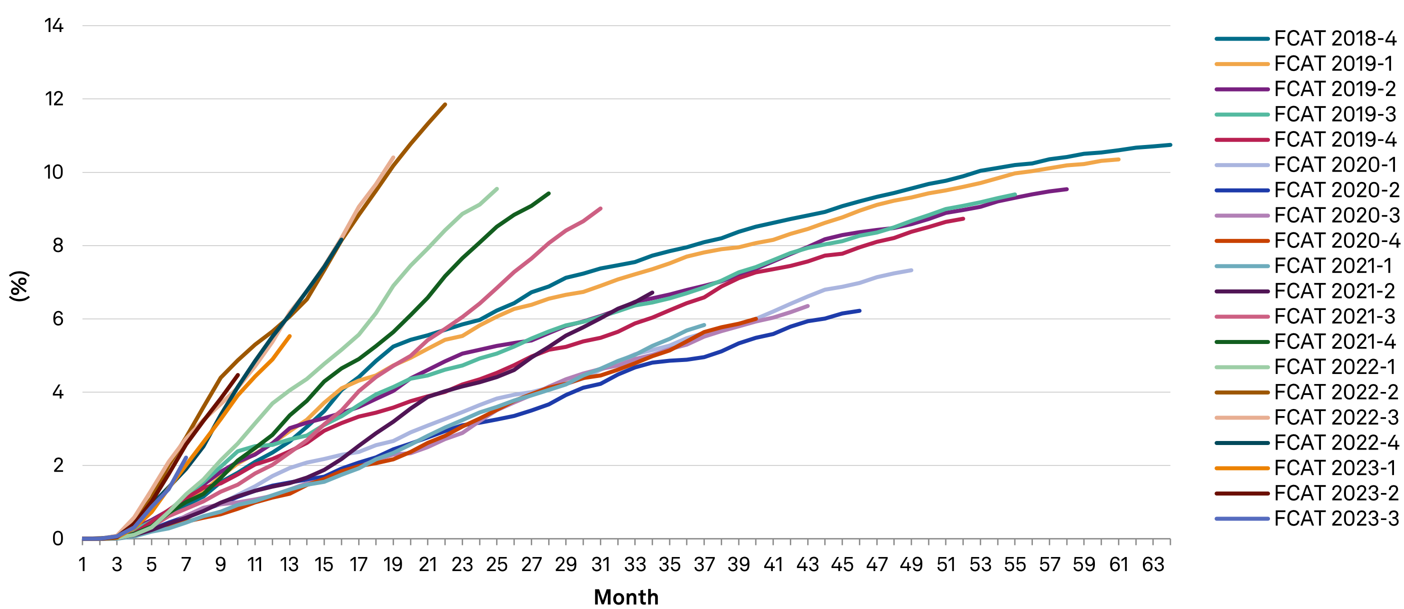
FCAT paid-off series cumulative net losses(i)
Series 2012-1 through 2018-3



(i)Performance prior to 2017-1 has not been netted for repossession fees.

Chart 3b

FCAT outstanding series cumulative net losses
Series 2018-4 through 2023-3



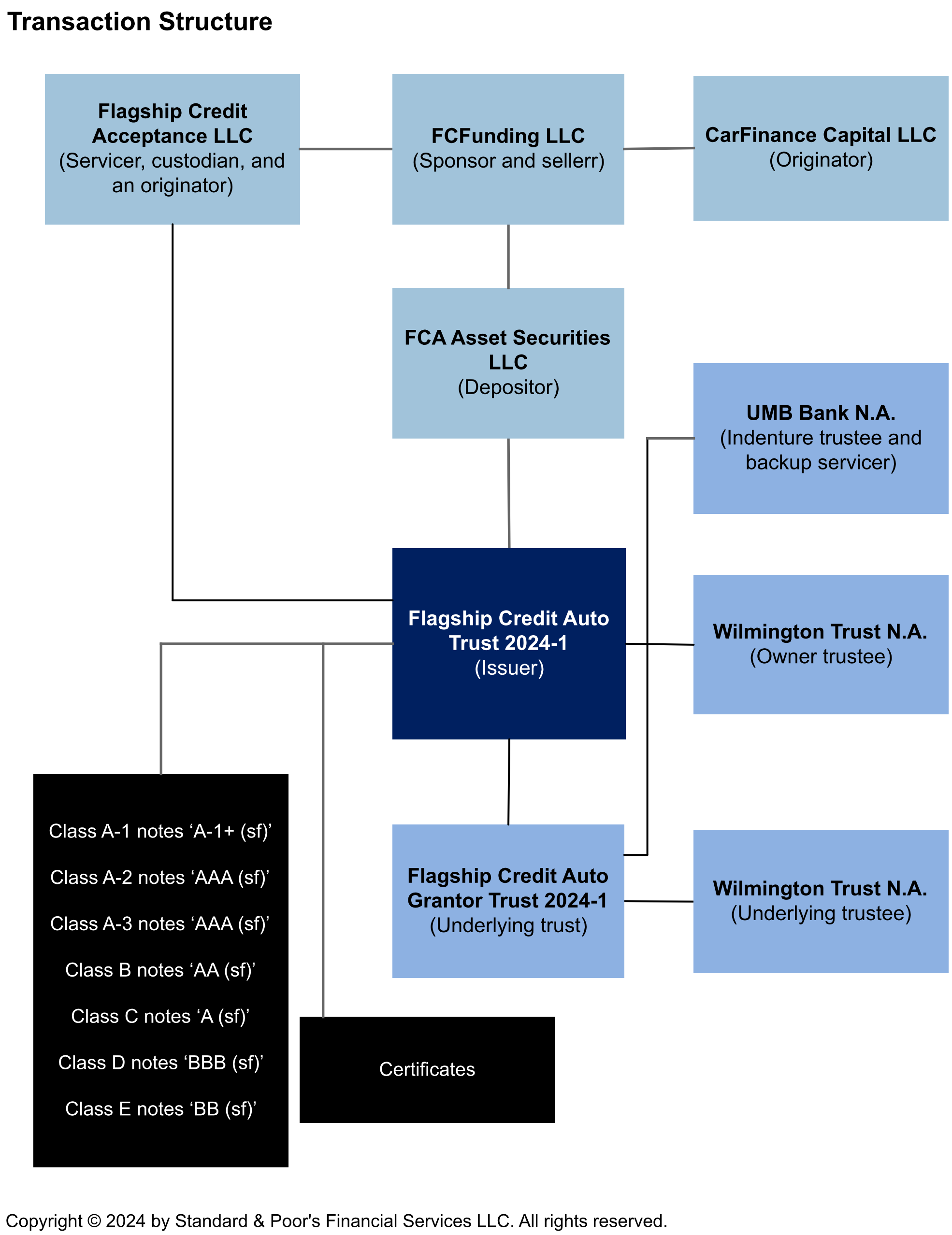
Legal Overview And Transaction Structure

Legal overview

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

The originators, Flagship and CarFinance Capital LLC (CFC), as part of the forward-flow purchase agreement with FC Funding LLC (the sponsor and seller), will sell the initial automobile loan contracts in the FCAT 2024-1 pool to FC Funding (see chart 4). Flagship will service the loans and is obligated to continue to do so per the transaction documents. Contracts purchased by FC Funding from Flagship and CFC are without recourse. At closing, FC Funding will sell the auto loans to the depositor, FCA Asset Securities LLC, as a true sale. In turn, FCA Asset Securities will sell or pledge the pool of auto loan contracts to FCAT 2024-1, which will assign the receivables to Flagship Credit Auto Grantor Trust 2024-1 in exchange for a certificate evidencing an undivided beneficial ownership in the receivables. The issuing entity and Flagship Credit Auto Grantor Trust 2024-1 will each pledge its interest in the receivables and its security interest in the financed vehicles to the indenture trustee on the noteholders' behalf.

Chart 4



Transaction structure

FCAT 2024-1 structural features include:

- A senior subordinated sequential-pay structure where the senior-most notes outstanding are paid first.

- Initial overcollateralization of 3.60% of the initial collateral pool balance that will build to a target of 7.80% of the current collateral pool balance by using any excess spread available after covering net losses to pay principal on the outstanding notes. The target overcollateralization floor is set at 1.00% of the initial collateral pool balance.
- A non-amortizing reserve account that will equal 1.00% of the initial pool balance.
- Excess spread of approximately 12.36% (pre-pricing) per year.
- An optional clean-up call of 5.00% of the initial pool balance.

Payment Priority

Payment distribution before an event of default

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

Table 6

Payment waterfall

Priority	Payment
1	The servicing fee (2.5%) and any supplemental servicing fees and reimbursements to the servicer (unless otherwise waived or deferred by the servicer in its sole discretion), as well as the transition fees (one-time, capped at $100,000) to any successor servicer. We modeled the servicing and transition fees in our cash flows.
2	To the extent not previously paid by the sponsor, any unpaid fees, expenses, and indemnities due (expenses and indemnities capped at $235,000 per year), pro rata, to the owner and indenture trustees, custodian, and backup servicer.
3	Pro rata, class A-1, A-2, and A-3 note interest.
4	The class A principal parity amount (to reduce class A notes' principal balance, if necessary, to equal the sum of the collateral balance).
5	The remaining class A note balance on its respective final scheduled distribution date.
6	Class B note interest.
7	The class B principal parity amount (to reduce the aggregate principal balances of the class A and B notes, if necessary, to equal the sum of the collateral balance).
8	The remaining class B note principal balance on its final distribution date.
9	Class C note interest.
10	The class C principal parity amount (to reduce the aggregate principal balances of the class A, B, and C notes, if necessary, to equal the sum of the collateral balance).
11	The remaining class C note principal balance on its final distribution date.
12	Class D note interest.
13	The class D principal parity amount (to reduce the aggregate principal balances of the class A, B, C, and D notes, if necessary, to equal the sum of the collateral balance).
14	The remaining class D note principal balance on its final distribution date.
15	Class E note interest.
16	The class E principal parity amount (to reduce the aggregate principal balances of the class A, B, C, D, and E notes, if necessary, to equal the sum of the collateral balance).
17	The remaining class E note principal balance on its final distribution date.

Table 6

Payment waterfall (cont.)

Priority	Payment
18	The amount necessary to reach the required level in the reserve account.
19	The regular allocation of principal(i).
20	Any unpaid fees and expenses exceeding the related cap or annual limitation specified in items 1 and 2 to the indenture trustee, custodian, owner trustee, backup servicer, and successor servicer.
21	To the servicer, any previously waived or deferred fees.
22	Any excess amounts to the certificate distribution account.

(i)This item is designed to pay principal to achieve the target overcollateralization amount of 7.8% of the current pool balance. Class A--Collectively, the class A-1, A-2, and A-3 notes.

On each payment date before an event of default, the amounts described in items 4, 5, 7, 8, 10, 11, 13, 14, 16, 17, and 19 in table 6 will be distributed to the noteholders in the priority outlined in table 7.

Table 7

Principal waterfall

Priority	Payment
1	To the class A-1 noteholders until class A-1 outstanding principal balance has been reduced to zero.
2	To the class A-2 noteholders until class A-2 outstanding principal balance has been reduced to zero.
3	To the class A-3 noteholders until class A-3 outstanding principal balance has been reduced to zero.
4	To the class B noteholders until class B outstanding principal balance has been reduced to zero.
5	To the class C noteholders until class C outstanding principal balance has been reduced to zero.
6	To the class D noteholders until class D outstanding principal balance has been reduced to zero.
7	To the class E noteholders until class E outstanding principal balance has been reduced to zero.

Events of default

The events that will constitute an event of default are:

- A default in the interest payment on the senior-most class of notes that remains uncured for five days.
- A default in the principal payment on any notes on their final scheduled distribution date.
- A default in the issuer's observance or performance of any material covenant or agreement or any materially incorrect representation or warranty of the issuer that is not cured for 45 days (up to 90 days in certain cases). This requires the indenture trustee or the holders of at least 25% of the voting rights of the notes outstanding to notify the relevant parties.
- The issuer becoming insolvent.

Payment distribution 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, available funds will be distributed as described in table 6. However, the payment in item 19 will include all available funds until the total note balance has been reduced to zero. In addition, the fees, expenses, and indemnities in items 1 and 2 will not be limited.

On each payment date following an event of default (other than an event of default solely because of a breach of a covenant, agreement, representation, or warranty) and the acceleration of the notes, or upon liquidation of the trust assets, available funds will be distributed according to the priority shown in table 8 instead.

Table 8

Payment waterfall following an event of default

Priority	Payment
1	To the servicer, owner trustee, indenture trustee, custodian, and backup servicer, certain amounts due and owed to such entities without regard to any caps or annual limitations.
2	Class A note interest(i).
3	Class A-1 note principal until paid in full.
4	Class A-2 note principal and class A-3 note principal, pro rata, until paid in full.
5	Class B note interest.
6	Class B note principal until paid in full.
7	Class C note interest.
8	Class C note principal until paid in full.
9	Class D note interest.
10	Class D note principal until paid in full.
11	Class E note interest.
12	Class E note principal until paid in full.
13	To the servicer, any previously waived or deferred fees.
14	All remaining amounts to the certificateholders.

(i)The class A notes represent the class A-1, A-2, and A-3 notes, collectively.

Servicer termination events

The events that constitute a servicer termination are:

- The servicer failing to deliver any required payment to the indenture trustee that remains unremedied for two business days;
- The servicer failing to observe or perform in any covenant or agreement materially that adversely affects the noteholders' rights and that remains unremedied for 45 days;
- The servicer becoming insolvent; and
- Any materially incorrect servicer representation, warranty, or statement that remains unremedied for 45 days.

If a servicer termination occurs, the indenture trustee or a majority of the noteholders holding the senior-most class can terminate the servicer's rights and obligations.

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. In addition, we use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

The cash flow modeling scenarios were performed on the cutoff collateral pool of $360.00 million as of March 31, 2024, which is not expected to be materially different from the Feb. 29, 2024, statistical pool of $323.08 million (as shown in the Collateral section and table 2).

Break-even analysis

For the FCAT 2024-1 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 point (maximum net losses the class can withstand without defaulting) and generally expect it to be greater than or equal to that rating's stressed scenario break-even requirement.

Based on our stressed cash flows, the breakeven 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 10).

Table 9

Break-even cash flow assumptions

Voluntary ABS (%)	0.9
Servicing fee (%)	2.5
Recovery rate (%)	40.0
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24/36/48) (%)	
Front-loaded loss curve	35/65/85/95/100
Back-loaded loss curve	20/55/80/95/100

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

Table 10

Break-even 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)(%)					
Front-loaded loss curve	47/85/100	38/69/90/100	36/66/85/95/100	36/66/85/95/100	36/66/85/95/100
Back-loaded loss curve	35/92/100	25/66/95/100	21/56/80/95/100	21/56/80/95/100	21/56/80/95/100

Table 10

Break-even cash flow results (cont.)

	Class				
	A	B	C	D	E
Approximate break-even CNL levels (%)					
Required	47.25	40.50	31.05	23.63	20.93
Available front-loaded loss curve(i)	47.47	40.77	31.53	25.45	23.52
Available back-loaded loss curve(i)	47.70	41.24	31.56	24.18	21.34

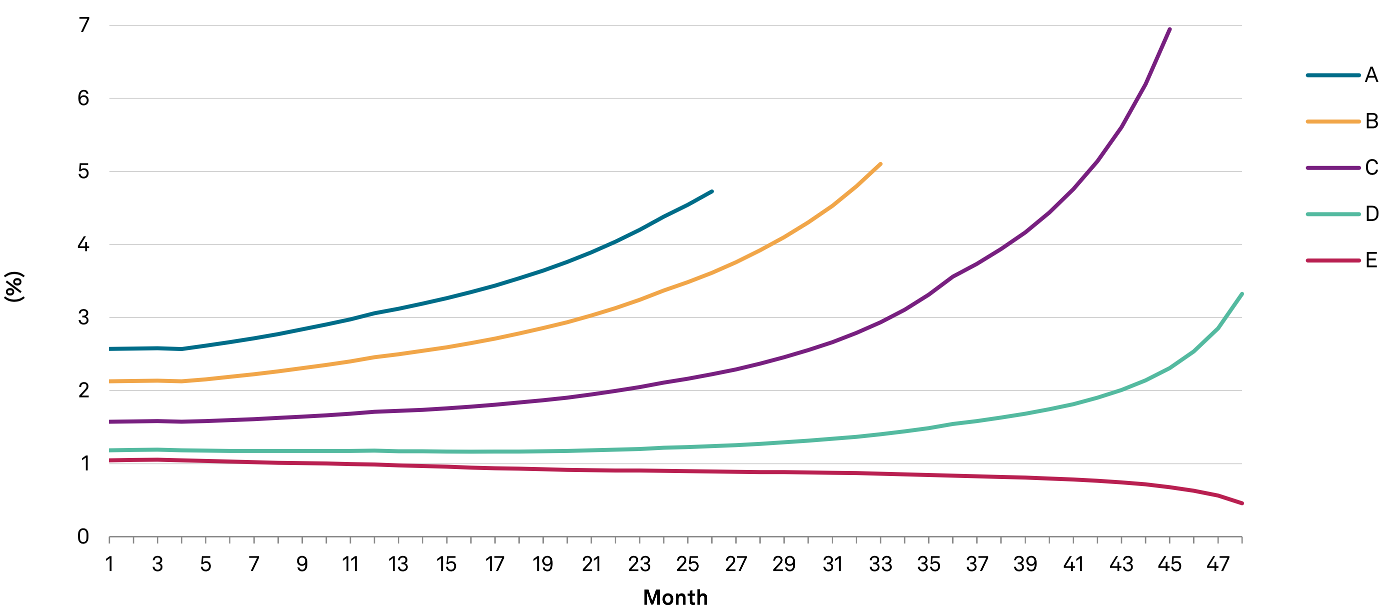
(i)The maximum CNLs, with 90.00% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions in table 9 but with a base case loss curve of 25/55/80/95/100. We believe that under a moderate ('BBB') stress scenario (1.75x of 13.5% 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 by section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 9, 2023.

Chart 5

'BBB' sensitivity loss coverage multiples



Money market tranche sizing

The proposed money market tranche (class A-1) has a legal final maturity date of April 15, 2025. To test whether the money market tranche can be repaid by its legal final maturity, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and a 0.25% voluntary absolute prepayment speed for our cash flow analyses, and we checked that approximately 11 months of principal collections would be sufficient to pay off the money market tranche.

Legal final maturity

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 added three months to the result. For the longest-dated security (class E), we added eight months to the tenor of the longest-dated 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 cover losses and repay the relevant notes in full by the respective legal final maturity dates.

Counterparty And Operational Risks

On or before the closing date, the series 2024-1 bank accounts will be established in the name of the indenture trustee, UMB Bank, as segregated trusts accounts. The bank account provider is consistent with our counterparty criteria for 'AAA' supported transactions (see "Counterparty Risk Framework: Methodology and Assumptions," published March 8, 2019).

As servicers, Flagship and CFC have experienced management teams that oversee origination, underwriting, servicing, collections, and general operational practices. A back-up servicer, UMB Bank (A/Negative/A-1), is engaged for outstanding series. Neither Flagship nor CFC is 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 Flagship as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Flagship and 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.

Flagship Credit Acceptance LLC

Flagship Credit Corp. was founded in 2005 as a specialty auto finance company focused on buying loan contracts secured by new and used vehicles purchased by consumers with weak credit histories. Flagship was formed in August 2010 after its predecessor entity, Flagship Credit Corp., was acquired by investment funds affiliated with Perella Weinberg Partners (PWP); the acquisition closed in September 2010. In January 2015, PWP merged FC HoldCo and CF Capital Holdings, the parent entities of Flagship and CFC. The newly merged company is headquartered in Chadds Ford, Pa. Flagship is led by a seasoned management team with many years of experience in consumer finance, particularly subprime auto lending. Flagship is the servicer for its auto loan platforms.

Related Criteria

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

Related Research

- U.S. Auto Loan ABS Tracker: January 2024 Performance, March 7, 2024
- U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going, Feb. 21, 2024
- Various Rating Actions Taken On Six Flagship Credit Auto Trust Transactions, Feb. 5, 2024
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Twenty Ratings Raised And 14 Affirmed From 12 Flagship Credit Auto Trust Transactions, Nov. 13, 2023

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