S&P Global Ratings

Research

Presale:

Flagship Credit Auto Trust 2023-2

April 24, 2023

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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	42.00	May 15, 2024
A-2	AAA (sf)	Senior	Fixed	188.00	April 15, 2027
A-3	AAA (sf)	Senior	Fixed	58.76	Dec. 15, 2027
B	AA (sf)	Subordinate	Fixed	37.77	May 15, 2028
C	A (sf)	Subordinate	Fixed	51.10	May 15, 2029
D	BBB (sf)	Subordinate	Fixed	36.18	May 15, 2029
E	BB- (sf)	Subordinate	Fixed	36.19	July 15, 2030

Note: This presale report is based on information as of April 24, 2023. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)The coupons for each class will be determined on the pricing date.

Profile

Expected closing date	May 4, 2023.
Collateral	Subprime auto loan receivables.
Issuer	Flagship Credit Auto Trust 2023-2.
Originator, servicer, custodian, seller, and sponsor	Flagship Credit Acceptance LLC and CarFinance Capital LLC.
Depositor	FCA Asset Securities LLC.
Indenture trustee and backup servicer	UMB Bank N.A. (A/Stable/A-1).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Underlying trust	Flagship Credit Auto Grantor Trust 2023-2
Bank account provider	UMB Bank N.A. (A/Stable/A-1).

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Rationale

The preliminary ratings assigned to Flagship Credit Auto Trust 2023-2's (FCAT 2023-2) automobile receivables-backed notes reflect:

- The availability of approximately 44.12%, 38.11%, 29.47%, 22.87%, and 17.84% credit support--hard credit enhancement and haircut to excess spread--for the class A (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 1.40x coverage of our expected net loss (ENCL) of 12.50% 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 below).
- 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 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 subprime automobile loans in this transaction, our view of the credit risk of the collateral, and our updated macroeconomic forecast, and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections below).
- The series' bank accounts at UMB Bank N.A. (UMB Bank), 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 2023-2 is 12.50%, an increase from 12.25% for FCAT series 2023-1's. It reflects:

- FCAT's more recent outstanding securitizations, which are showing signs of deterioration in performance with higher losses, delinquencies, and extensions compared to more seasoned transactions;
- Our view that the series 2023-2 collateral characteristics are slightly stronger than those of series 2023-1, primarily due to the higher percentages in the better credit tiers; and
- Our forward-looking view of the auto finance sector and economy, including our outlook for a shallow recession later this year.

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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 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 2023-1

- Total initial hard credit enhancement for the class A notes remained unchanged at 37.15%, and decreased for classes B, C, D, and E to 28.80%, 17.50%, 9.50%, and 1.50%, respectively, from 28.90%, 18.10%, 10.40%, and 2.75%.
- Subordination for the class A, B, C, and D notes increased to 35.65%, 27.30%, 16.00%, and 8.00% respectively, from 34.40%, 26.15%, 15.35%, and 7.65%.
- Initial overcollateralization decreased to 0.50% from 1.75% of the initial collateral pool balance and will grow to a target of 6.75% of the initial collateral pool balance, compared to 7.50% for series 2023-1.
- Pre-pricing excess spread is estimated to increase to 10.41% from 9.93% (post-pricing).

The decrease in initial hard credit enhancement reflects higher estimated excess spread for this transaction. Our stressed cash flow results indicate that each class in the series 2023-2 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section).

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Table 1

FCAT Credit Enhancement Summary (%)

	2023-2	2023-1	2022-4	2022-3	2022-2
Subordination(i)					
Class A	35.65	34.40	32.20	31.65	32.15
Class B	27.30	26.15	25.50	24.60	24.75
Class C	16.00	15.35	14.60	13.80	14.65
Class D	8.00	7.65	8.50	6.80	6.55
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(i)	0.50	1.75	4.50	1.40	1.65
Target(ii)	6.75	7.50	9.90	6.70	7.25
Floor(iii)	1.00	1.00	1.00	1.00	1.00
Reserve fund(iii)					
Initial	1.00	1.00	1.00	1.00	1.05
Target	1.00	1.00	1.00	1.00	1.05
Floor	1.00	1.00	1.00	1.00	1.05
Total hard credit enhancement(i)					
Class A	37.15	37.15	37.70	34.05	34.85
Class B	28.80	28.90	31.00	27.00	27.45
Class C	17.50	18.10	20.10	16.20	17.35
Class D	9.50	10.40	14.00	9.20	9.25
Class E	1.50	2.75	5.50	2.40	2.70
Excess spread per year (estimated)(iv)	10.41	9.93	7.82	9.63	8.66

(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. Class A--Collectively represents class A-1, A-2, and A-3 notes.

Collateral changes from FCAT 2023-1

The significant collateral changes for FCAT's 2023-2 statistical pool as of the April 13, 2023, statistical calculation date, from series 2023-1's closing collateral pool include:

- Indirect loans have increased to 82.91% from 79.46%, while direct loans have decreased to 17.09% from 20.54%.
- Higher credit quality indirect credit programs (groups A and B) have increased to 67.74% of the pool from 57.04%.
- The percentage of loans with original terms greater than 60 months increased slightly to 94.58% from 91.58%.
- The percentage of used vehicles increased slightly to 84.25% from 82.23%.
- The weighted average annual percentage rate increased to 20.42% from 19.10%.

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We believe the FCAT 2023-2 statistical collateral pool is slightly stronger than FCAT 2023-1's pool, primarily due to the higher percentages in the better credit tiers (see table 2). The final collateral pool as of April 30, 2023, is not expected to be materially different from the statistical pool. We have factored this into our expected loss for FCAT 2023-2 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral Characteristics(i)

	FCAT				
	2023-2	**2023-1**	**2022-4**	**2022-3**	**2022-2**
Amount (mil. $)(ii)	407.33	455.00	420.00	547.67	610.07
No. of contracts	15,630	17,972	15,712	20,044	22,089
Avg. loan amount ($)	26,061	26,876	26,731	27,323	27,619
WA APR (%)	20.42	19.10	18.51	17.45	16.31
WA FICO score	586	588	586	586	585
WA LTV ratio (%)	121	121	120	120	120
WA original term (mos.)	71.16	71.00	70.58	70.67	70.91
WA remaining term (mos.)	70.08	67.86	68.03	68.03	69.09
WA seasoning (mos.)	1.08	3.14	2.55	2.64	1.81
Loans with no FICO score (%)	0.00	0.00	0.00	0.00	0.01
Loans with original term 61-72 months (%)	94.33	91.29	89.43	90.25	92.26
Loans with original term 73-78 months (%)	0.26	0.29	0.57	0.47	0.31
New vehicles (%)	15.75	17.77	18.75	20.51	21.88
Used vehicles (%)	84.25	82.23	81.25	79.49	78.12
Indirect credit programs (%)(iii)					
Group A	17.70	12.39	12.88	12.80	11.09
Group B	38.46	32.93	32.48	31.06	30.19
Group C	24.45	28.55	27.67	26.53	29.41
Group D	2.20	5.32	10.67	13.66	15.67
Group E	0.10	0.26	1.22	2.01	3.11
Military	0.00	0.00	0.00	0.00	0.00
Thin file	0.00	0.00	0.00	0.00	0.00
Total indirect (%)	82.91	79.46	83.72	86.07	89.47
Total direct (%)	17.09	20.54	16.28	13.93	10.53
Top five state (%)					
	TX=20.18	TX=18.92	TX=20.94	TX=19.41	TX=19.37
	FL=10.03	FL=11.28	CA=7.07	FL=8.61	FL=8.94
	CA=6.20	CA=5.96	GA=6.56	GA=6.61	GA=6.47
	GA=5.28	AZ=5.43	AZ=6.24	CA=6.57	CA=6.42
	AZ=5.22	GA=5.38	OH=4.32	AZ=5.99	AZ=5.98

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Table 2

Collateral Characteristics(i) (cont.)

	FCAT				
	2023-2	2023-1	2022-4	2022-3	2022-2
Initial ECNL (%)	12.50	12.25	11.50	11.25-11.75	11.50-12.00

(i)All percentages are of the principal balance. (ii)Amounts for 2023-1, 2022-4, 2022-3, and 2022-1 are as of the respective initial cutoff dates. Amounts are as of the statistical date for 2022-2. (iii)The totals may not add to 100% due to rounding. APR--Annual percentage rate. FCAT--Flagship Credit Auto Trust. LTV--Loan-to-value. WA--Weighted average. APR--Annual percentage rate. ECNL--Expected cumulative net loss. Mos.--Months.

Macroeconomic And Auto Finance Sector Outlook

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

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

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.70% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses will need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.40% in second quarter of 2024 and then decline in late 2025.

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

Table 3

U.S. Economic Factors (%)

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

GDP--Gross domestic product. 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.

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S&P Global Ratings' Expected Loss: 12.50%

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

- The transaction's collateral characteristics relative to those of outstanding series (see table 2);
- The managed portfolio performance, 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 2023-2 notes to experience lifetime CNLs of 12.50%, an increase from 12.25% for FCAT 2023-1.

Managed portfolio

As of March 31, 2023, receivables amounted to $3.67 billion, reflecting an approximate 19.00% increase in the managed portfolio when compared to the same period a year prior. As of March 31, 2023, annualized net losses and delinquencies increased to 6.32% and 10.83%, respectively compared to 3.46% and 8.51%, a year earlier. We attribute this performance to ongoing normalization to pre-COVID-19 pandemic levels. Vehicle recovery rates are normalizing, which, together with 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 March 31		As of Dec. 31					
	2023	2022	2022	2021	2020	2019	2018	2017
Portfolio at end of period (mil. $)	3,668.65	3,087.60	3,537.11	2,892.35	3,081.74	3,223.54	2,828.50	2,887.35
Avg. month-end amount outstanding (mil. $)	3,618.19	2,973.88	3,314.20	2,978.77	3,193.94	3,020.07	2,814.93	2,966.87
Delinquencies (%)(ii)								
31-60 days	6.79	5.45	8.42	6.55	7.51	7.33	7.02	7.07
61-90 days	2.98	2.15	3.90	2.67	2.41	2.27	2.17	2.06
90+ days	1.05	0.91	1.59	1.21	1.04	0.87	0.83	0.8
Total delinquencies as a % of the portfolio at period end	10.83	8.51	13.92	10.43	10.96	10.47	10.02	9.93
Repossessions (mil. $)	40.87	16.95	41.84	17.66	19.09	29.56	23.21	29.04
Repossessions as a % of the portfolio at month end	1.11	0.55	1.18	0.61	0.62	0.92	0.82	1.01
Total delinquency, repossessed, and bankrupt assets as a % of the portfolio at period end	13.69	11.01	16.88	13.24	14.32	14.39	13.89	13.71

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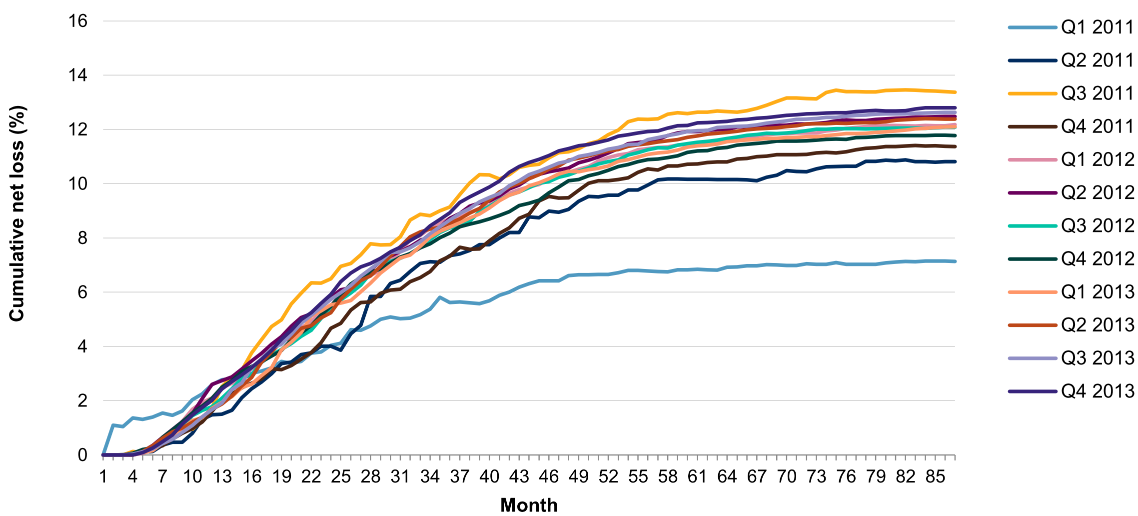
Origination static pool analysis

Our analysis is based on approximately 10 years (2012-2022) 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 2023-2 collateral pool balance.

While loss performance on the latter 2021 and early 2022 vintages appear to be weaker relative to prior vintages, we are observing some improvement, although still early, in the third-quarter and fourth-quarter 2022 vintages. This could be a result of credit tightening measures Flagship undertook towards the end of last year.

Chart 1a

Flagship Credit Acceptance LLC cumulative net losses quarterly*
(Q1 2011-Q4 2013)



*Performance is net of repossession fees.

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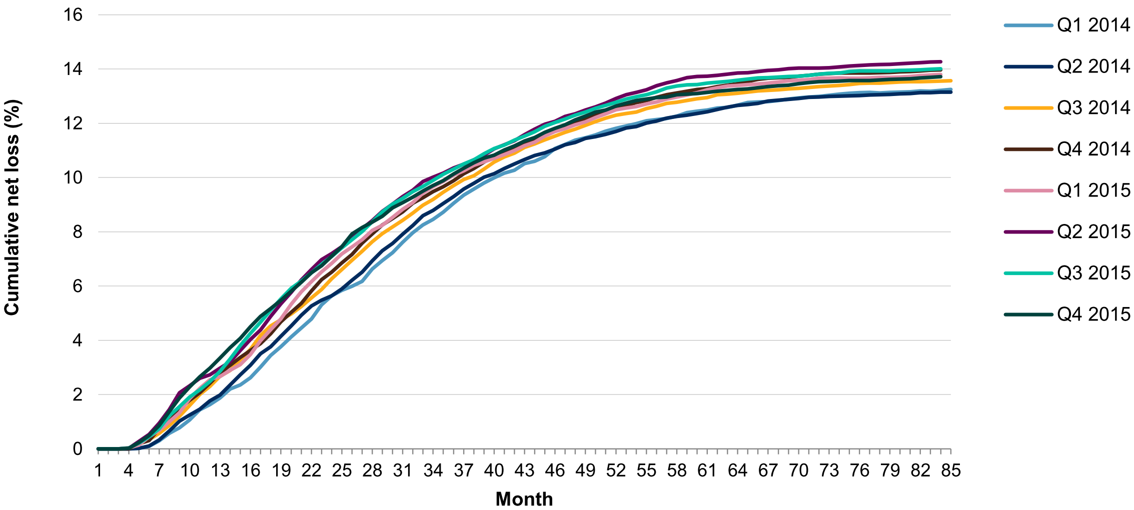
Chart 1b

Flagship Credit Acceptance LLC cumulative net losses quarterly*
(Q1 2014-Q4 2015)



*Performance is net of repossession fees.

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Chart 1c

Flagship Credit Acceptance LLC cumulative net losses quarterly
(Q1 2016-Q4 2022)

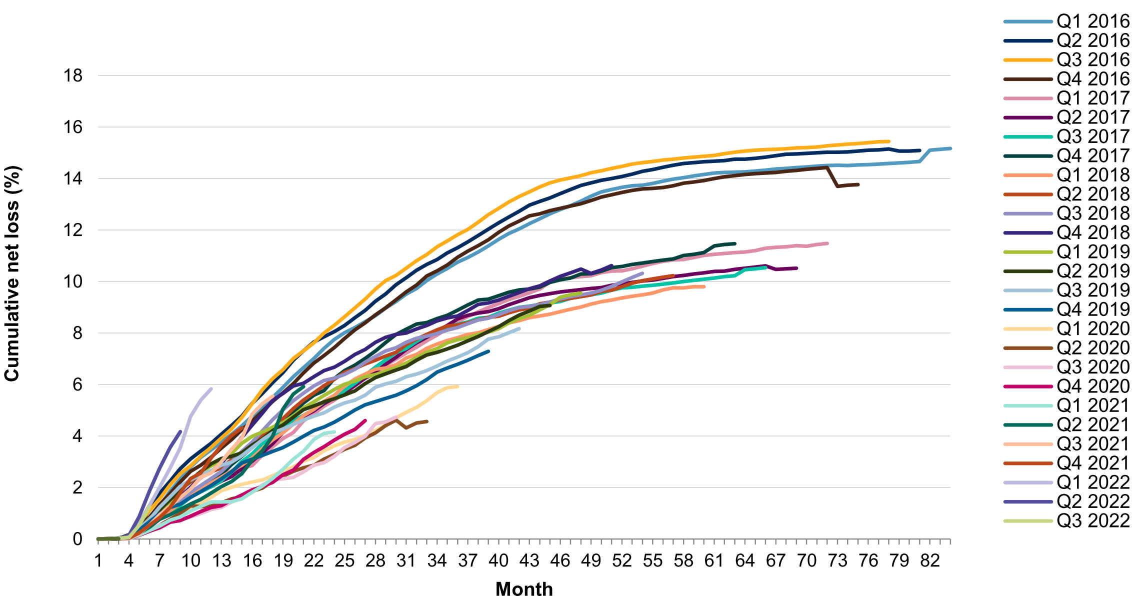

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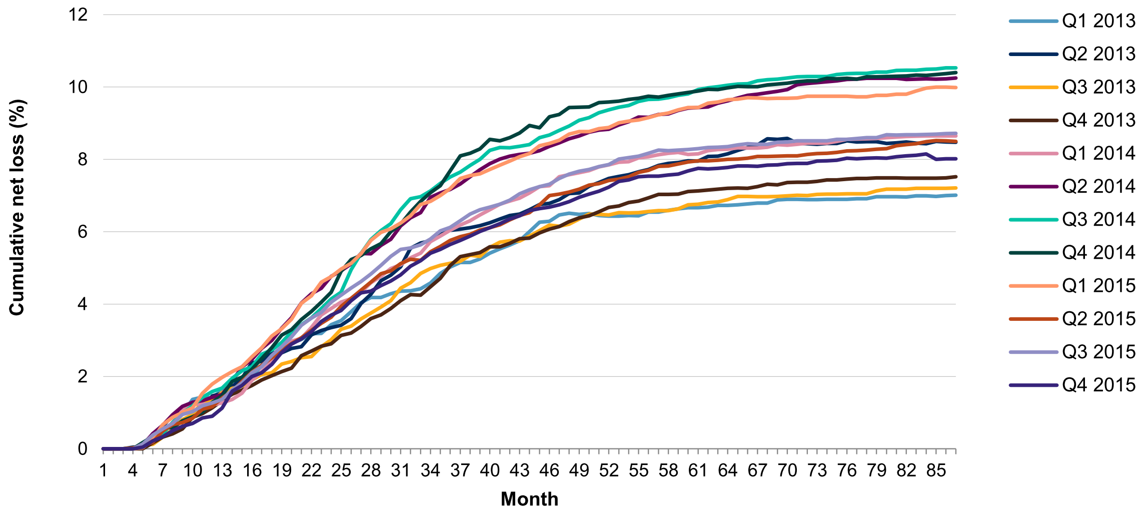
Chart 2a

Direct refinance only cumulative net losses quarterly*
(Q1 2013-Q4 2015)



*Performance is net of repossession fees.

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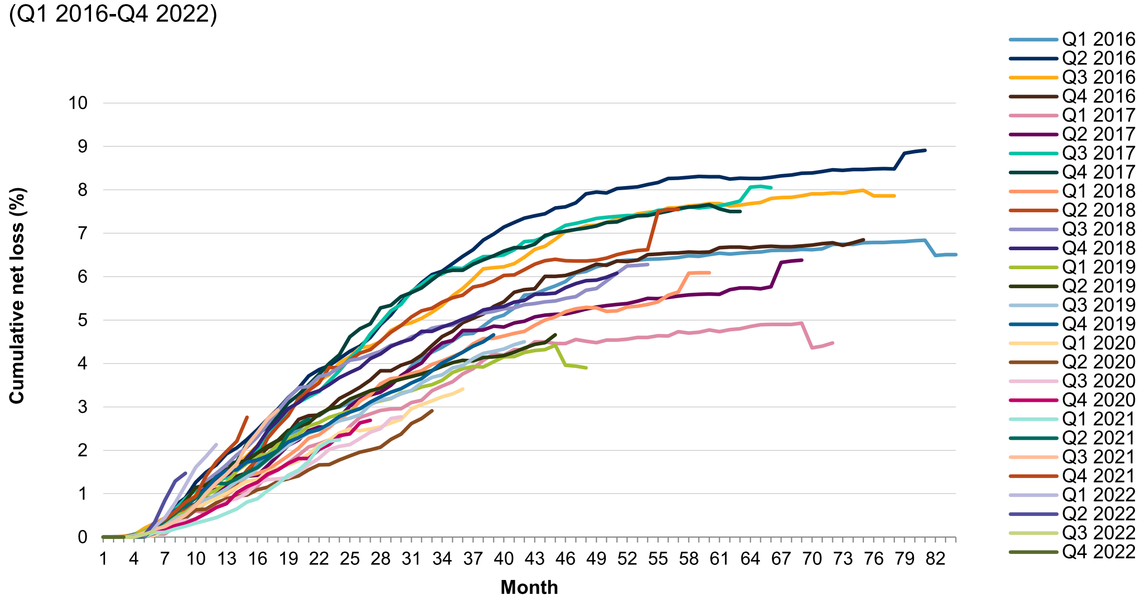
Chart 2b

Direct refinance only cumulative net losses quarterly*
(Q1 2016-Q4 2022)



*Performance is net of repossession fees.

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FCAT transaction performance

We have outstanding ratings on 20 FCAT ABS transactions. On Sept. 13, 2022, we reviewed 16 FCAT transactions. During our review, we identified an error in our April 2022 analysis of six classes of notes from FCAT 2020-4 and FCAT 2021-1. As a result, we corrected and lowered our ratings on the classes. We affirmed our ratings on four classes from the two series, which were unaffected by the error. At the same time, we raised our ratings on 24 classes of notes and affirmed our ratings on 25 classes of notes from the remaining 14 FCAT series (see "Various Ratings Actions Taken, Including Actions Due To Error Correction, On 16 Flagship Credit Auto Trust Transactions," published on Sept. 13, 2022).

The rating actions reflect our views regarding the transactions' future collateral performance, structure, credit enhancement, and remaining cumulative net loss expectations, among other factors (see table 5).

Table 5

FCAT Performance As Of The April 2023 Distribution Date

Series	Current month	Pool factor	60+ day delinq. (%)	Current CNL (%)	Initial expected lifetime CNL (%)	Revised/maintained expected lifetime CNL (%)(i)
FCAT 2018-2	59	9.39	7.90	9.49	12.50-13.00	10.25-10.75
FCAT 2018-3	56	11.15	9.56	9.57	12.50-13.00	10.75-11.25
FCAT 2018-4	53	12.44	9.23	10.04	12.25-12.75	10.75-11.25
FCAT 2019-1	50	14.65	9.08	9.43	12.25-12.75	10.50-11.00
FCAT 2019-2	47	16.89	9.49	8.43	12.25-12.75	10.00-10.50
FCAT 2019-3	44	19.60	8.98	8.03	12.25-12.75	10.00-10.50
FCAT 2019-4	41	21.31	7.94	7.36	12.00-12.50	9.25-9.75
FCAT 2020-1	38	22.94	7.93	5.72	12.00-12.50	9.25-9.75
FCAT 2020-2	35	23.47	6.97	4.86	14.00-14.50	9.25-9.75
FCAT 2020-3	32	28.56	7.21	4.73	14.00-14.50	9.25-9.75
FCAT 2020-4	29	30.55	6.52	4.23	13.25-13.75	9.00-9.50
FCAT 2021-1	26	34.40	5.72	3.77	13.00-13.50	9.00-9.50
FCAT 2021-2	23	41.74	5.87	4.16	11.50-12.00	10.50-11.00
FCAT 2021-3	20	50.39	7.58	4.99	11.00-11.50	11.00-11.50
FCAT 2021-4	17	57.14	6.55	4.90	11.25-11.75	N/A

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Table 5

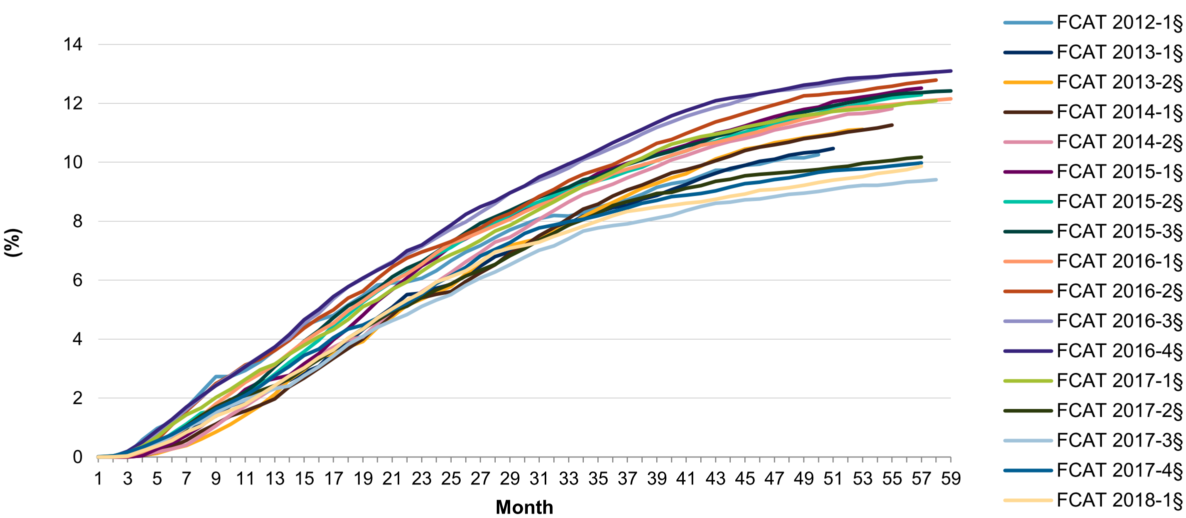
FCAT Performance As Of The April 2023 Distribution Date (cont.)

Series	Current month	Pool factor	60+ day delinq. (%)	Current CNL (%)	Initial expected lifetime CNL (%)	Revised/maintained expected lifetime CNL (%)(i)
FCAT 2022-1	14	66.13	6.11	4.36	11.25-11.75	N/A
FCAT 2022-2	11	75.02	5.30	5.30	11.50-12.00	N/A
FCAT 2022-3	8	82.59	5.19	3.24	11.25-11.75	N/A
FCAT 2022-4	5	91.36	4.29	0.92	11.50	N/A
FCAT 2023-1	2	97.27	0.76	0.00	12.25	N/A

(i)Revised in September 2022. FCAT--Flagship Credit Auto Trust. CNL--Cumulative net loss. Delinq.--Delinquencies. N/A--Not applicable.

Chart 3a

Flagship Credit Auto Trust securitizations' cumulative net losses*
(2012-1 - 2018-1)



*Securitization performance prior to 2017-1 has not been netted for repossession fees.§Paid-off series.
FCAT--Flagship Credit Auto Trust.
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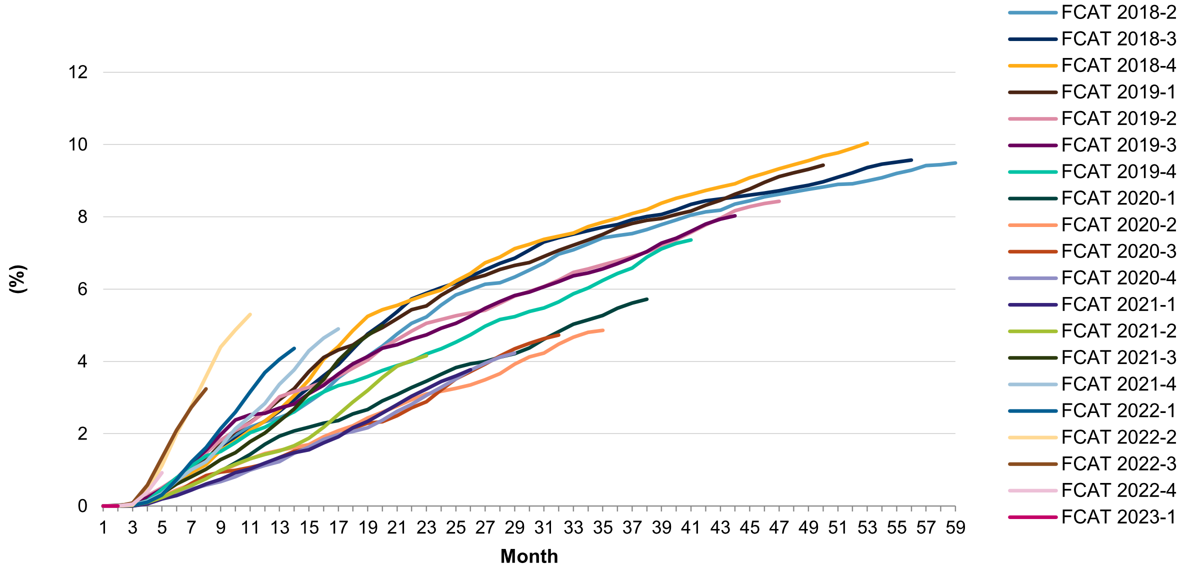
Chart 3b

Flagship Credit Auto Trust securitizations' cumulative net losses
(2018-2 - 2023-1)



FCAT--Flagship Credit Auto Trust.

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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 2023-2 pool to FC Funding LLC (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 LLC from Flagship and CFC are without recourse. At closing, FC Funding LLC will sell the auto loans to the depositor, FCA Asset Securities LLC, as a true sale. In turn, FCA Asset Securities LLC will sell or pledge the pool of auto loan contracts to FCAT 2023-2, which will assign the receivables to Flagship Credit Auto Grantor Trust 2023-2 in exchange for a certificate evidencing an undivided beneficial ownership in the receivables. The issuing entity and Flagship Credit Auto Grantor Trust 2023-2 will each pledge its interest in the receivables and its security interest in the financed vehicles to the indenture trustee on the noteholders' behalf.

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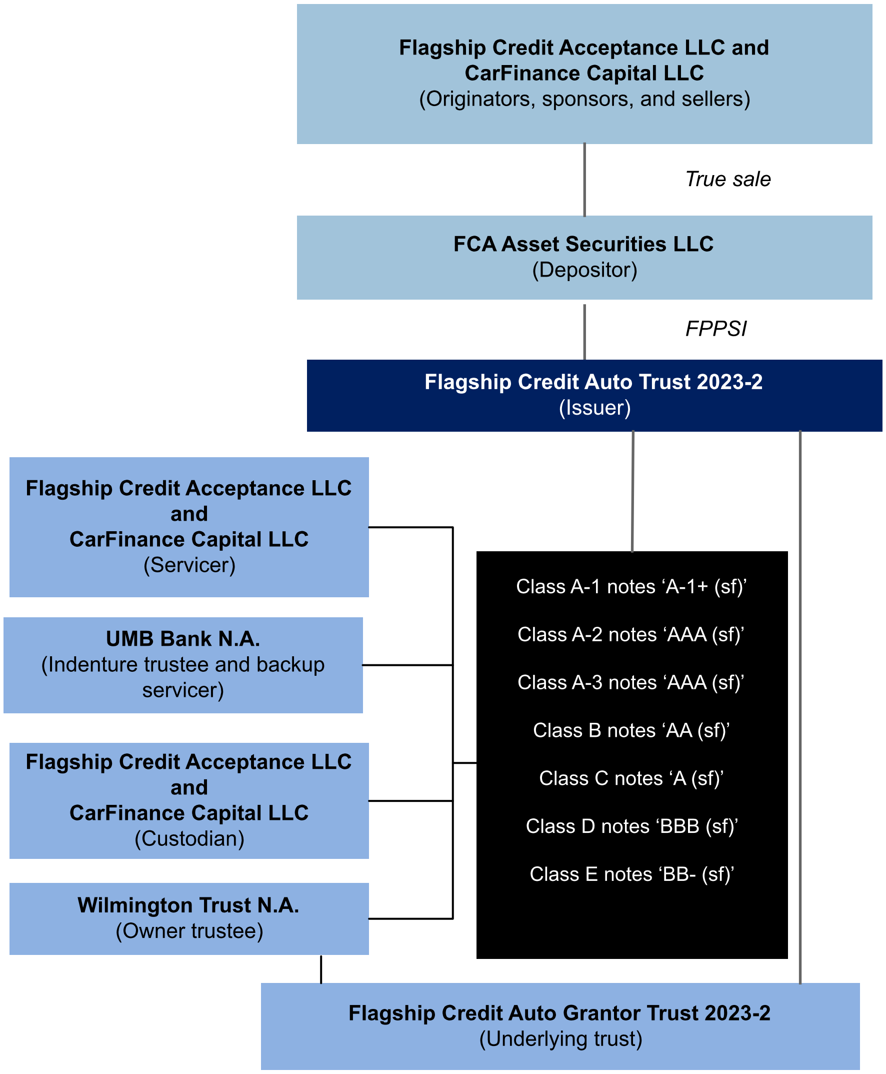
Chart 4

Transaction Structure



FPPSI--First priority perfected security interest.

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Transaction structure

FCAT 2023-2 incorporates the following structural features:

- A senior subordinated sequential-pay structure where the senior-most notes outstanding are paid first.
- Initial overcollateralization of 0.50% of the initial collateral pool balance that will build to a target of 6.75% of the current collateral pool balance by using any excess spread available after

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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 10.41% (pre-pricing) per year.

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, 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.
18	The amount necessary to reach the required level in the reserve account.
19	The regular allocation of principal(i).

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Table 6

Payment Waterfall (cont.)

Priority	Payment
20	Any unpaid fees and expenses exceeding the related cap or annual limitation specified in items 1 and 2 above to the indenture trustee, custodian, owner trustee, backup servicer, and successor servicer.
21	Any excess amounts to the certificate distribution account.

(i)This item is designed to pay principal to achieve the target overcollateralization amount of 6.75% of the current pool balance. The principal payment amount will be the lesser of the notes' aggregate principal balance on the distribution date (after items 1-17 in the waterfall) and the excess, if any, of the sum of the notes' aggregate principal balance on the distribution date (after principal payments) plus the target overcollateralization amount over the current pool balance. Class A--Collectively represents 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	The class A-1 noteholders until class A-1 outstanding principal balance has been reduced to zero.
2	The class A-2 noteholders until class A-2 outstanding principal balance has been reduced to zero.
3	The class A-3 noteholders until class A-3 outstanding principal balance has been reduced to zero.
4	The class B noteholders until class B outstanding principal balance has been reduced to zero.
5	The class C noteholders until class C outstanding principal balance has been reduced to zero.
6	The class D noteholders until class D outstanding principal balance has been reduced to zero.
7	The class E noteholders until class E outstanding principal balance has been reduced to zero.

Events of default

Any of the following will constitute an event of default:

- 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 25.00% 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

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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	All remaining amounts to the certificateholders.

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

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, and adversely affecting the noteholders' rights 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.

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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.

Break-even analysis

For the FCAT 2023-2 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' lower breakeven 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 breakeven 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

Breakeven Cash Flow Assumptions

Voluntary ABS (%)	1.00
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

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)(%)					
Front-loaded loss curve	41/76/99/100	36/67/87/98/100	35/65/85/95/100	35/65/85/95/100	35/65/85/95/100
Back-loaded loss curve	29/78/100	23/62/90/100	20/55/80/95/100	20/55/80/95/100	20/55/80/95/100
Approximate breakeven CNL levels (%)					
Required	43.75	37.50	28.75	21.88	17.50

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Table 10

Breakeven Cash Flow Results (cont.)

	Class				
	A	B	C	D	E
Available front-loaded loss curve(i)	44.12	38.11	29.47	22.87	18.33
Available back-loaded loss curve(i)	44.32	38.64	29.99	23.61	17.84

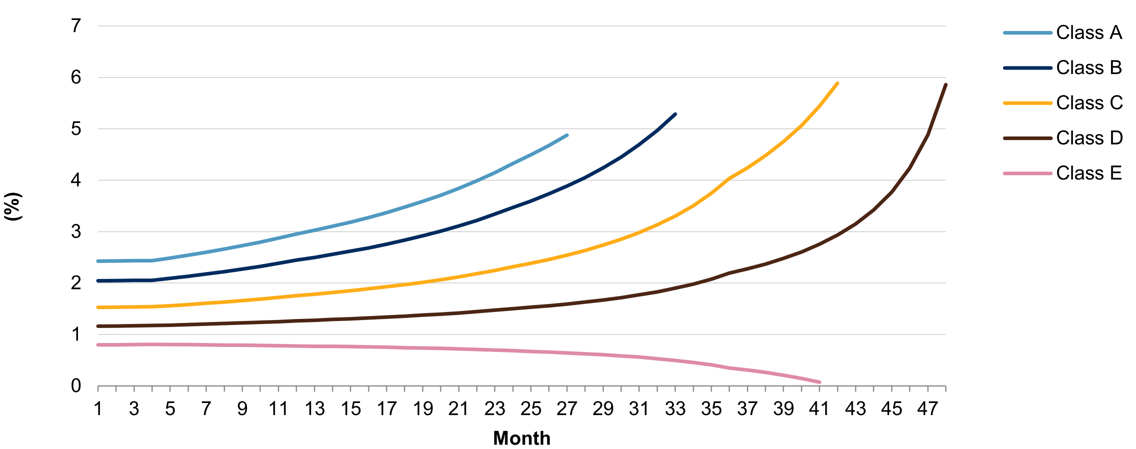
(i)The maximum CNLs, with 90.0% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions in table 9, with the exception of the CNL timing curve. Instead of front-loaded and back-loaded loss curves, we used a base case loss curve of 25/55/80/95/100. We believe that under a moderate ('BBB') stress scenario (1.75x of 12.50% expected loss level) and with 90.00% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021.

Chart 5

'BBB' sensitivity loss coverage multiples



Class A--Collectively represents class A-1, A-2, and A-3.

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Money market tranche sizing

The proposed money market tranche (class A-1) has a legal final maturity date of May 15, 2024. To test whether the money market tranche can be repaid by its legal final maturity, we ran cash flows

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using assumptions to delay the principal collections. We assumed zero defaults and zero prepayments 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 breakeven 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 2023-2 bank accounts will be established in the name of the indenture trustee, UMB Bank N.A., as segregated trusts accounts. The bank account provider is consistent with our Counterparty criteria for a '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 N.A. (A/Stable/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. (FCC) 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, FCC, was acquired by investment funds affiliated with Perella Weinberg Partners (PWP); the acquisition closed in September 2010. In January 2015, PWP merged FC HoldCo LLC 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.

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Related Criteria

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

Related Research

- U.S. Auto Loan ABS Tracker: February 2023 Performance, April 11, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023
- Various Ratings Actions Taken, Including Actions Due To Error Correction, On 16 Flagship Credit Auto Trust Transactions, Sept. 13, 2022

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