Presale:

GLS Auto Receivables Issuer Trust 2024-1

February 5, 2024

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)(i)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	59.13	Feb. 18, 2025
A-2	AAA (sf)	Senior	Fixed	133.24	Feb. 16, 2027
A-3	AAA (sf)	Senior	Fixed	45.13	Sept. 15, 2027
B	AA (sf)	Subordinate	Fixed	76.08	July 17, 2028
C	A (sf)	Subordinate	Fixed	71.46	Dec. 17, 2029
D	BBB (sf)	Subordinate	Fixed	62.20	Dec. 17, 2029
E	BB (sf)	Subordinate	Fixed	41.12	Oct. 15, 2030

Note: This presale report is based on information as of Feb. 5, 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 rates for each class will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Originator, sponsor, servicer, custodian, and seller	Global Lending Services LLC.
Depositor	GLS Auto Receivables LLC.
Issuer	GLS Auto Receivables Issuer Trust 2024-1.
Underlying trust	GLS Auto Receivables Trust 2024-1.
Indenture trustee, backup servicer, and bank account provider	UMB Bank N.A. (A-/Stable/A-2).
Owner trustee and underlying trustee	Wilmington Trust N.A. (A-/Stable/A-2).

Rationale

The preliminary ratings assigned to GLS Auto Receivables Issuer Trust 2024-1's (GCAR 2024-1) automobile receivables-backed notes reflect:

- The availability of approximately 56.42%, 47.67%, 37.12%, 28.76%, and 24.20% of 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 (including excess spread). These credit support levels provide at least 3.20x, 2.70x, 2.10x, 1.60x, and 1.38x our 17.50% expected cumulative net loss (ECNL) 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 (1.60x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', 'BBB (sf)', and 'BB (sf)' ratings on the class A, B, C, D, and E notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section below).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' subprime automobile loans, including the representation in the transaction documents that all contracts in the pool have made at least one payment, 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., which do not constrain the preliminary ratings.
- Our operational risk assessment of Global Lending Services LLC (GLS), as servicer, and our view of the company's underwriting and backup servicing arrangement with UMB Bank N.A.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for GCAR 2024-1 is 17.50%, which is unchanged from GCAR 2023-4. It reflects:

- Our view that the GCAR 2024-1 collateral characteristics are comparable to those of GCAR 2023-4;
- GCAR's outstanding series, which are performing better than or in line with our ECNL except for GCAR 2021-3 through 2022-3, which are showing signs of performance deterioration; and
- 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 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 consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. While the adoption of electric vehicles and future regulation could lower ICE vehicle values, we believe our current approach to evaluating recovery values adequately accounts for vehicle values over the transaction's relatively short, expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

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

Credit Enhancement And Collateral

Structural changes from GCAR 2023-4

- Total initial hard credit enhancement for the class A, B, C, D, and E notes decreased to 54.80%, 40.00%, 26.10%, 14.00%, and 6.00%, respectively, from 55.30%, 41.35%, 28.45%, 15.30%, and 6.15% (see table 1).
- Subordination decreased for classes A, B, C, and D to 48.80%, 34.00%, 20.10%, and 8.00%, respectively, from 49.15%, 35.20%, 22.30%, and 9.15%.
- The initial overcollateralization decreased to 5.00% of the initial collateral pool balance from 5.15%, and it will grow to a target of 11.50% (from 9.50%) of the current pool balance plus 1.50% of the initial pool balance.
- The estimated excess spread (pre-pricing) increased to 12.12% from 11.00% (post-pricing).

The change in the initial hard credit enhancement partly reflects the higher estimated excess spread for GCAR 2024-1 (see table 1). Our stressed cash flow results indicate that each class in the transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

Credit enhancement summary (%)

	GCAR				
	2024-1	2023-4	2023-3	2023-2	2023-1
Subordination(i)					
Class A	48.80	49.15	48.20	48.50	47.80
Class B	34.00	35.20	34.45	34.25	34.15
Class C	20.10	22.30	22.15	21.20	21.10
Class D	8.00	9.15	8.55	7.55	8.15
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(i)	5.00	5.15	6.35	5.20	6.80
Target(ii)	11.50 + 1.50	9.50 + 1.50	9.40 + 1.50	9.05 + 1.50	12.60 + 1.50
Floor(i)	1.50	1.50	1.50	1.50	1.50

Table 1

Credit enhancement summary (%) (cont.)

	GCAR				
	2024-1	2023-4	2023-3	2023-2	2023-1
Reserve fund					
Initial(i)	1.00	1.00	1.00	1.00	1.00
Target(i)	1.00	1.00	1.00	1.00	1.00
Floor(i)	1.00	1.00	1.00	1.00	1.00
Total initial hard credit enhancement(i)					
Class A	54.80	55.30	55.55	54.70	55.60
Class B	40.00	41.35	41.80	40.45	41.95
Class C	26.10	28.45	29.50	27.40	28.90
Class D	14.00	15.30	15.90	13.75	15.95
Class E	6.00	6.15	7.35	6.20	7.80
Estimated excess spread per year(iii)	12.12	11.00	10.90	11.06	10.31

(i)Percentage of the initial collateral pool balance. (ii)The overcollateralization target amount equals the stated percentage of the current pool balance plus 1.50% of the initial pool balance. (iii)Includes the 3.00% servicing fee. GCAR--GLS Auto Receivables Trust and GLS Auto Receivables Issuer Trust. Class A--Classes A-1, A-2, and A-3, collectively.

Collateral changes from GCAR 2023-4

The significant collateral changes in the GCAR 2024-1 statistical pool (as of Dec. 31, 2023) from the GCAR 2023-4 closing pool include:

- The weighted average non-zero FICO score decreased slightly to 590 from 591.
- The weighted average proprietary score (e-score) decreased to 663 from 667.
- The weighted average annual percentage rate (APR) increased to 21.69% from 21.38%.
- Loans with an original term of 67-72 months decreased to 81.51% from 82.40%.
- The weighted average loan-to-value (LTV) ratio increased slightly to 119.14% from 118.51%.
- The percentage of collateral originated through the Core platform increased to 56.48% from 54.53%, while the percentage of collateral originated through Ally decreased to 19.58% from 22.09%. According to GLS, the Ally-originated loans perform better than the Core loans (with a 10%-15% loss expectation versus 16%-17% for Core).

In our view, the GCAR 2024-1 statistical collateral pool is comparable to the GCAR 2023-4 final pool (see table 2). The GCAR 2024-1 final collateral pool as of the Jan. 31, 2024, cutoff date, is not expected to be materially different from the statistical pool. We have factored this into our expected loss for GCAR 2024-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison(i)

	GCAR				
	2024-1	2023-4	2023-3	2023-2	2023-1
Pool balance (mil. $)	496.54	494.54	482.57	328.40	327.71
No. of receivables	22,614	22,377	21,464	15,105	17,162
Avg. principal balance ($)	21,957	22,101	22,483	21,741	19,095
WA APR (%)	21.69	21.38	20.66	20.87	20.77
WA original term (mos.)	70.23	70.39	70.42	70.38	69.77
WA remaining term (mos.)	68.99	68.23	68.12	68.42	63.71
WA seasoning (mos.)	1.24	2.16	2.31	1.96	6.06
Loans with original term of 61-66 mos. (%)	10.58	10.96	9.74	10.13	10.93
Loans with original term of 67-72 mos. (%)	81.51	82.40	83.29	82.81	78.42
New vehicles (%)	8.74	8.12	7.47	6.34	7.49
Used vehicles (%)	91.26	91.88	92.53	93.66	92.51
WA mileage	63,376	64,898	62,095	62,366	61,422
WA LTV ratio (%)	119.14	118.51	117.42	118.97	118.18
WA PTI ratio (%)	11.64	11.73	11.66	11.87	11.75
WA non-zero FICO score(ii)	590	591	583	575	572
FICO score (%)					
No score	11.13	11.48	7.95	6.27	6.68
375-499	7.08	6.31	7.07	9.01	9.87
500-524	7.82	7.18	8.41	9.71	10.21
525-549	10.62	10.60	11.79	13.19	13.55
550-574	12.82	12.55	14.44	14.70	14.92
575-599	13.08	13.37	15.34	15.12	14.84
600-624	13.44	14.11	15.98	16.45	15.58
625-649	8.40	9.09	7.69	7.58	6.93
650 and greater	15.61	15.32	11.31	7.97	7.44
WA proprietary credit score	663	667	667	659	649
Proprietary score (%)					
500 and lower	0.76	0.73	0.69	1.12	1.88
501-550	2.54	2.43	3.14	4.30	6.67
551-600	10.99	9.96	11.26	14.04	17.19
601-650	26.17	24.45	24.44	25.58	25.50
651-700	34.42	35.44	29.64	27.64	24.04
701 and greater	25.12	26.99	30.83	27.30	24.72
Ever extended (%)	0.97	0.81	1.18	2.34	8.64

Table 2

Collateral comparison(i) (cont.)

	GCAR				
	2024-1	2023-4	2023-3	2023-2	2023-1
Top three origination channel (%)					
CORE	56.48	54.53	53.56	52.42	50.72
Ally	19.58	22.09	23.27	23.40	23.30
Nissan	8.02	7.61	7.76	8.98	8.98
Other	15.92	15.77	15.41	15.20	17.00
Top five state concentrations (%)					
	TX=13.27	TX=13.99	TX=13.65	TX=13.47	TX=13.85
	CA=11.95	CA=10.35	CA=12.58	CA=11.58	CA=10.93
	FL=10.22	FL=10.06	FL=9.45	FL=9.07	FL=9.31
	GA=5.71	GA=6.09	GA=5.28	GA=5.39	GA=6.03
	OH=4.09	OH=4.21	OH=3.83	OH=3.87	OH=3.86

(i)All percentages are of the principal balance. (ii)The originator may use a VantageScore® for certain obligors where a FICO score is unavailable. WA--Weighted average. GCAR--GLS Auto Receivables Trust and GLS Auto Receivables Issuer Trust. APR--Annual percentage rate. LTV--Loan-to-value. PTI--Payment-to-income. CNL--Cumulative net loss. N/A--Not applicable.

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 continues 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 our 2023 forecasted GDP growth of 2.4% because we believe the market's resiliency will be tested going forward as real interest rates stay relatively high in 2024 and the lags of tightened monetary policy feed through the economy. Other reasons for caution include:

- Real disposable income has declined for four consecutive months, with the savings rate falling to a very low 3.4% in September 2023 (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. 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 represents about 14.0% 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 and lease payments before their other consumer and student loan payments.

We also expect weaker economic growth will cause demand for labor to decrease further and forecast unemployment rate rising to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). Unemployment benefit claims continue to rise above the 2019 average, which suggests that it has become more difficult for people to find jobs 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 been a harbinger of a recession.

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 continue to normalize to historical levels.

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.

S&P Global Ratings' Expected Loss: 17.50%

We determined our expected loss for GCAR 2024-1 by analyzing:

- The series' collateral characteristics relative to those of other outstanding GCAR series, including the representation in the transaction documents that all contracts in the pool have made at least one payment (see table 2);
- The managed portfolio performance, the origination static pool data, and their relative performances (see table 4); and
- The outstanding series' performance (see table 5 and charts 1 and 2).

When determining the expected loss for GCAR 2024-1, we placed more emphasis on recent origination static pool analysis (particularly from 2022) and the outstanding series' performance. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic and Auto Finance Sector Outlook section above). Overall, we expect GCAR 2024-1 to experience lifetime CNLs of 17.50%, unchanged from series 2023-4.

Managed portfolio

GLS' managed portfolio, for loans originated and service under its subprime origination program, increased approximately 6.26% to $4.474 billion as of Nov. 30, 2023, from $4.211 billion a year earlier (see table 4). As of Nov. 30, 2023, total delinquencies as a percentage of the portfolio were

19.35%, up from 18.55% a year earlier. Delinquencies in the 31- to 60-day bucket and 61– to 90-day bucket were also higher over the same period, and annualized net losses as a percentage of the average amount outstanding increased to 7.64% from 5.27%. We attribute this performance to ongoing normalization to pre-COVID-19 pandemic levels, as well as to recent economic headwinds affecting consumers, including inflationary pressures. Vehicle recovery rates, while still strong relative to historical standards, are normalizing.

Table 4

Managed portfolio(i)

	As of Nov. 30		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Principal amount outstanding end of period (mil. $)	4,474.36	4,210.74	4,168.31	3,993.54	2,781.06	2,539.38	1,543.85
Delinquencies (%)							
31-60 days(ii)	12.67	12.31	12.44	9.88	11.16	12.20	10.97
61-90 days	4.60	4.21	4.26	2.82	3.45	4.01	3.57
90-plus days	2.08	2.03	2.14	1.69	2.09	2.05	2.03
Total delinquencies as a % of principal amount outstanding(iii)	19.35	18.55	18.83	14.40	16.69	18.27	16.56
Net charge-offs							
Average principal amount outstanding during the period (mil. $)	4,295.67	4,292.74	4,282.38	3,434.44	2,758.76	2,137.13	1,169.17
Net charge-offs as a % of average principal outstanding	7.64	5.27	5.52	3.02	5.48	6.16	5.62

(i)All amounts and percentages are based on the principal balances of the automobile loan contracts and may not add up to the total due to rounding. (ii)The amounts shown do not include automobile loan contracts that are less than 31 days delinquent. (iii)Does not include repossessed assets.

Origination static pool analysis

We received static pool loss performance data, segmented by gross loss and net loss on the aggregate portfolio, and by GLS' proprietary custom score, FICO score, and LTV ratio. We used 2013 through 2017 static pools to derive a loss timing curve to project lifetime losses on the more recent 2017 through 2022 origination vintages with at least 12 months of performance. Then we weighted these projections, based on the GCAR 2024-1 pool composition by the cohorts described above, to derive a weighted average cumulative loss.

GLS transaction performance

We have ratings on 18 outstanding GCAR transactions that were issued between 2019 and 2023 (see table 5 and charts 1 and 2). These transactions generally continue to perform in line with or better than our revised expectations, except for GCAR 2021-3 through 2022-3, which are trending worse than our CNL expectations. On Dec. 7, 2023, we placed our ratings on the class E notes from GCAR 2022-2 and 2022-3 on CreditWatch with negative implications. Cumulative gross losses for both series are significantly higher than prior GCAR series at similar months of performance, which, coupled with lower cumulative recoveries, are resulting in elevated CNLs (see "Various Rating Actions Taken On 14 GLS Auto Receivables Issuer Trust Transactions," published Dec. 7, 2023).

Table 5

GCAR collateral performance and CNL expectations(i)

Series	Month	Pool factor (%)	Total delinq. (%	60+ days delinq. (%)	CNL (%)	Initial expected CNL (%)	Previous revised expected CNL (%)(ii)	Revised expected CNL (%)(iii)
2019-2	56	8.91	36.21	14.38	11.48	19.25-20.25	12.50	Up to 12.00
2019-3	53	11.38	34.37	13.42	10.43	19.25-20.25	12.00	11.50
2019-4	50	13.06	33.14	12.43	9.17	18.50-19.50	11.75	10.50
2020-1	47	15.11	31.47	11.16	8.89	18.50-19.50	11.75	10.50
2020-2	43	17.86	30.48	10.72	8.59	21.50-22.50	11.75	10.75
2020-3	41	19.13	27.80	10.16	7.16	21.50-22.50	11.75	9.25
2020-4	37	24.15	27.03	8.80	6.72	21.25-22.25	11.75	9.50
2021-1	34	26.22	27.97	10.08	7.72	19.50-20.50	12.75	11.25
2021-2	31	33.52	26.83	9.09	8.20	19.00-20.00	13.50	13.50
2021-3	28	37.76	23.88	7.84	9.09	16.75-17.75	14.50	15.00
2021-4	25	44.26	22.94	7.90	9.00	16.75-17.25	16.00	16.50
2022-1	22	48.44	23.72	7.86	9.43	16.25-17.25	17.50	18.00
2022-2	19	57.55	23.39	7.57	9.71	16.25-17.25	N/A	N/A
2022-3	16	63.69	21.82	7.20	8.02	16.25-17.25	N/A	N/A
2023-1	10	74.56	20.75	6.85	5.18	17.50	N/A	N/A
2023-2	8	84.45	16.14	5.05	3.03	17.50	N/A	N/A
2023-3	5	91.71	13.90	4.34	1.10	17.50	N/A	N/A
2023-4	2	97.59	7.77	1.40	0.02	17.50	N/A	N/A

(i)As of the January 2024 distribution date. (ii)Revised in October 2022 for all series except for GCAR 2021-1, which was revised in August 2022; and GCAR 2021-4 and 2022-1, which were revised in April 2023. (iii)Revised in December 2023. GCAR--GLS Auto Receivables Trust and GLS Auto Receivables Issuer Trust. Delinq.--Delinquent. CNL--Cumulative net loss. N/A--Not applicable.

Chart 1

GLS Auto Receivables Trust's cumulative net loss by securitization

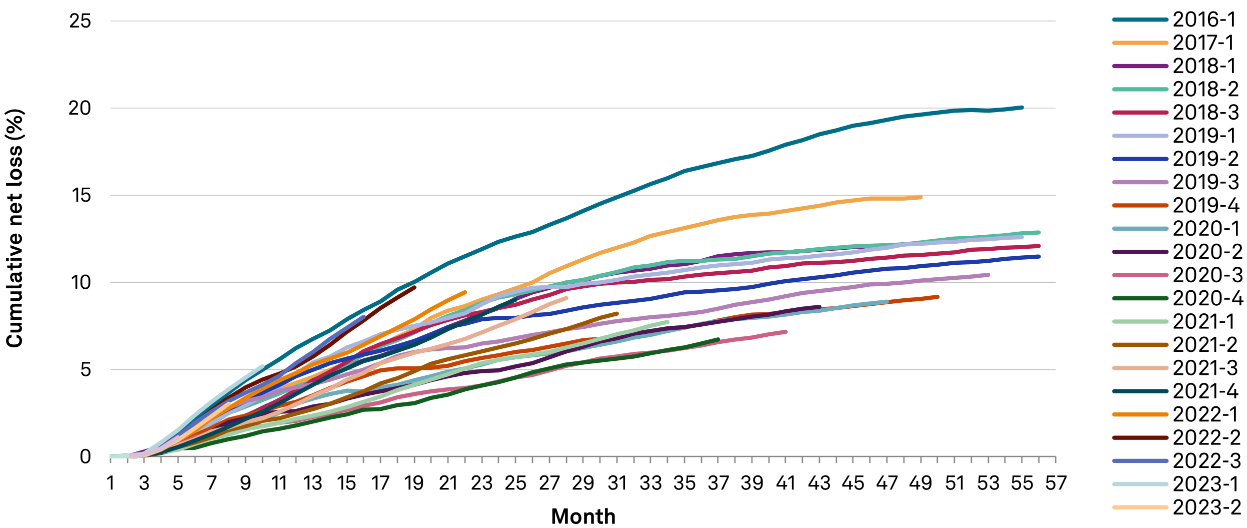
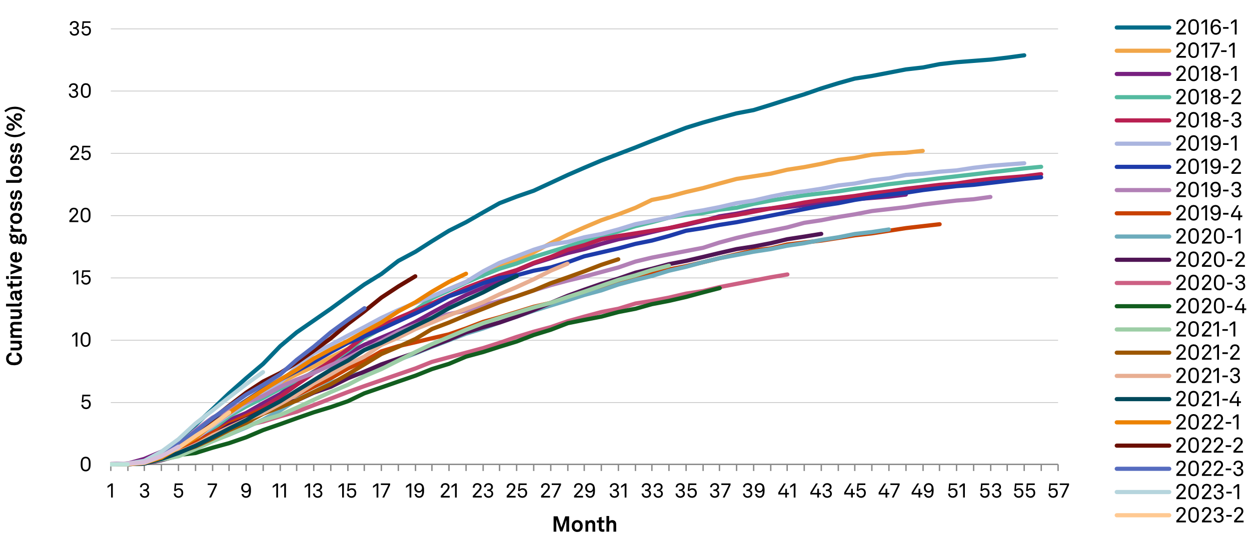


Chart 2

GLS Auto Receivables Trust's cumulative gross loss by securitization



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 from GLS and certain intermediate trusts administered by GLS (the sellers) to GLS Auto Receivables LLC (the depositor). The depositor will then transfer the receivables to GLS Auto Receivables Trust 2024-1, the underlying trust. As the underlying trust, GLS Auto Receivables Trust 2024-1 will issue an underlying certificate representing beneficial ownership of the underlying trust property, the receivables, and related property to the depositor.

The issuing entity, GCAR 2024-1, a newly formed special-purpose Delaware statutory trust, will issue the notes and the certificate to the depositor in exchange for the transfer of the underlying certificate. The certificate represents the residual interest in the issuing entity and the asset, which includes the underlying certificate. The issuing entity and the underlying trust will pledge their interest in the receivables and their security interest in the vehicles to the indenture trustee for the noteholders' benefit (see chart 3).

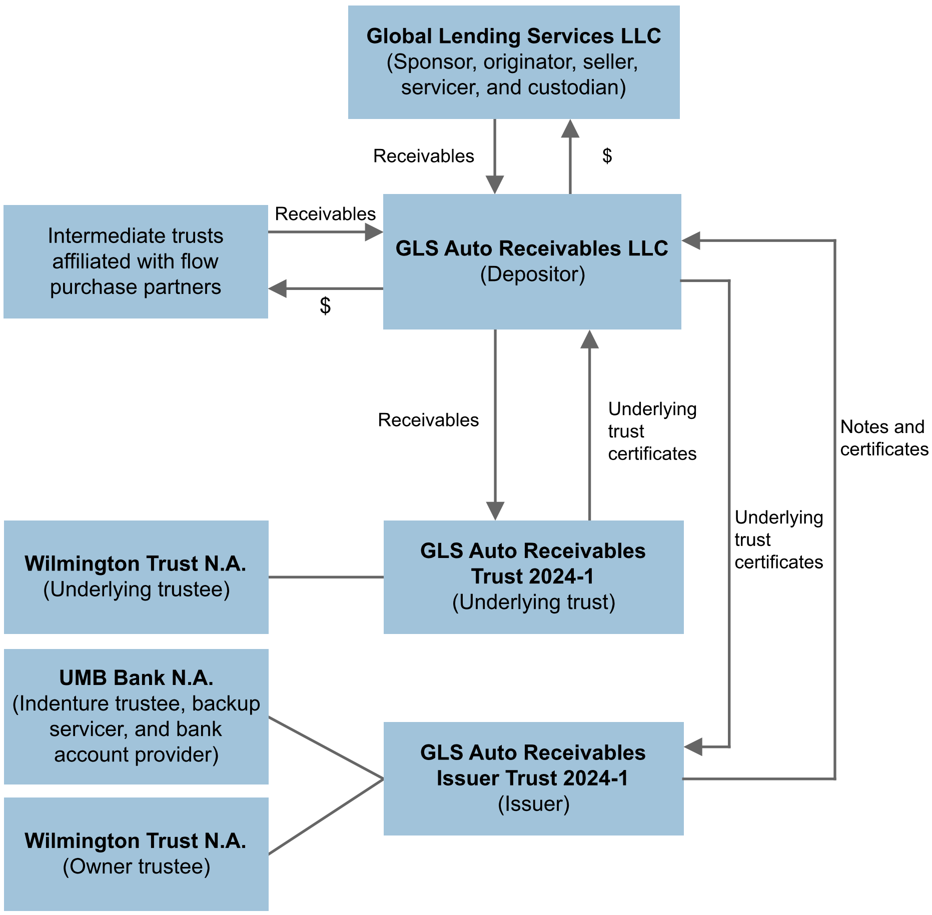
Transaction structure

GCAR 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 5.00% of the initial pool balance that will build to a target of 11.50% of the current pool balance plus 1.50% of the initial pool balance by using any excess spread available after covering net losses to pay principal on the outstanding notes. The overcollateralization floor is set at 1.50% of the initial pool balance.
- A nonamortizing reserve account amount that will equal 1.00% of the initial collateral balance.
- Excess spread of approximately 12.12% (pre-pricing) per year. An optional clean-up call of 5.00% of the initial pool balance.

Chart 3

Transaction structure



Payment Priority

Payment distribution 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 6.

Table 6

Payment waterfall

Priority	Payment
1	To the servicer, the servicing fee (3.00%), any supplemental servicing fees, any reimbursements for mistaken deposits, and any other related amounts. To any successor servicer, the transition fees up to the specified cap of $75,000.

Table 6

Payment waterfall (cont.)

Priority	Payment
2	To the indenture trustee, custodian, owner trustee, underlying trustee, and backup servicer, any accrued and unpaid fees, expenses, and indemnities: capped at $125,000 annually for the indenture trustee and backup servicer, $50,000 annually for the owner trustee and underlying trustee, and $25,000 annually for the custodian.
3	Class A note interest, pro rata.
4	Principal to reduce the class A principal balance by the make-whole amount, if any; then to the extent necessary to reduce the class A principal balance to the pool balance (the class A principal parity amount); and then to pay the remaining class A principal amount on its final scheduled distribution date.
5	Class B note interest.
6	After paying item 4 above, principal to the extent necessary to reduce the combined class A and B principal balance to the pool balance (the class B principal parity amount); and then to pay the remaining class B principal amount on its final scheduled distribution date.
7	Class C note interest.
8	After paying items 4 and 6 above, principal to the extent necessary to reduce the combined class A, B, and C principal balance to the pool balance (the class C principal parity amount); and then to pay the remaining class C principal amount on its final scheduled distribution date.
9	Class D note interest.
10	After paying items 4, 6, and 8 above, principal to the extent necessary to reduce the combined class A, B, C, and D principal balance to the pool balance (the class D principal parity amount); and then to pay the remaining class D principal amount on its final scheduled distribution date.
11	Class E note interest.
12	After paying items 4, 6, 8, and 10 above, principal to the extent necessary to reduce the combined class A, B, C, D, and E principal balance to the pool balance (the class E principal parity amount); and then to pay the remaining class E principal amount on its final scheduled distribution date.
13	To the reserve account, the amount necessary to achieve the specified reserve account amount.
14	Principal sequentially to achieve the specified overcollateralization amount (the principal payment amount).
15	To the indenture trustee, owner trustee, underlying trustee, custodian, backup servicer, and any successor servicer, any fees, expenses, and indemnities that exceed the related cap or annual limitation.
16	To the Servicer, any previously waived or deferred servicing fee and supplemental servicing fee.
17	To the sponsor, any administrative expenses, up to the specified cap of $25,000, annually.
18	All remaining amounts to the certificateholders.

Class A--Class A-1, A-2, and A-3, collectively.

Events of default

Each 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 class' final scheduled distribution date.
- The issuer failing to observe or perform any of its material covenants or agreements, or its representations or warranties being materially incorrect and not cured for 45 days (up to 90 days in certain cases). This requires notice by the indenture trustee or holders of more than 50% of the senior-most class.

- 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 outlined in table 7. However, the payment in item 14 will include all available funds until the total note balance has been reduced to zero, and the fees, expenses, and indemnities in items 1 and 2 will not be limited.

On each payment date, if an event of default (except when solely from a covenant, agreement, representation, or warranty breach), the acceleration of the notes, or the trust assets' liquidation has occurred, available funds will instead be distributed in the priority shown in table 7.

Table 7

Payment waterfall following an event of default other than covenant, agreement, or representation and warranty breaches

Priority	Payment
1	To the servicer, custodian, owner trustee, underlying trustee, indenture trustee, and backup servicer, certain amounts due and owing to those entities without caps.
2	Class A note interest.
3	Class A note principal sequentially between classes A-1 and A-2 until paid in full.
4	Class B note interest.
5	Class B note principal until paid in full.
6	Class C note interest.
7	Class C note principal until paid in full.
8	Class D note interest.
9	Class D note principal until paid in full.
10	Class E note interest.
11	Class E note principal until paid in full.
12	To the sponsor, any administrative expenses, up to the specified cap of $25,000, annually.
13	All remaining amounts to the certificateholders.

Class A--Class A-1, A-2, and A-3, collectively.

Servicer termination events

The occurrence of any of the following will constitute a servicing termination:

- The servicer fails to deliver any required payment to the indenture trustee and it remains unremedied for two business days.
- The servicer fails to deliver the servicer's certificate by the first business day before the distribution date; or, if the failure resulted from an unforeseen event, on or before the fifth

business day after the related distribution date.

- The servicer fails to observe or perform any covenant or agreement materially, which adversely affects the noteholders' rights, and it remains unremedied for 45 days.
- The servicer becomes insolvent.
- Any materially incorrect servicer representation, warranty, or statement 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 cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction's structure and available credit support. We also use our cash flow analysis in other aspects of our ratings analysis, including a credit stability test (sensitivity analysis) and legal final analysis.

The cash flow modeling scenarios were performed on the cutoff collateral pool of $514.079 million as of Jan. 31, 2024, which is not expected to be materially different from the Dec. 31, 2023, statistical pool of $496.54 million (as shown in the Collateral section above and table 2).

Break-even analysis

For the GCAR 2024-1 transaction structure, we applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower break-even 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 break-even requirement.

Based on our stressed cash flows, the break-even 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 9).

Table 8

Break-even cash flow assumptions

Voluntary ABS (%)	0.95
Servicing fee (%)	3.0
Recovery rate ('AAA' and 'AA'/'A' to 'BB-') (%)	37.5/40.0
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24/36/48/60) (%)	
Front-loaded loss curve	35/65/90/100
Back-loaded loss curve	25/55/80/95/100

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

Table 9

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. (12/24/36/48/60) (%)					
Front-loaded loss curve	77/100	42/78/100	35/65/90/100	35/65/90/100	35/65/90/100
Back-loaded loss curve	75/100	37/81/100	28/60/88 /100	25/55/80/95/100	25/55/80/95/100
Approx. break-even CNL levels (%)(i)					
Required	56.0	47.3	36.8	28.0	24.2
Available: front-loaded loss curve	56.4	47.7	37.1	28.8	24.2
Available: back-loaded loss curve	56.5	47.8	38.3	29.8	24.7

(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. Class A--Class A-1, A-2, and A-3, collectively. CNL--Cumulative net loss.

Sensitivity analysis

In addition to running break-even cash flows, we undertook a sensitivity analysis using the assumptions outlined in table 9 above. We believe that under a moderate ('BBB') stress scenario (1.60x of 17.50% 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 in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023 (also see table 10 and charts 4 and 5).

Table 10

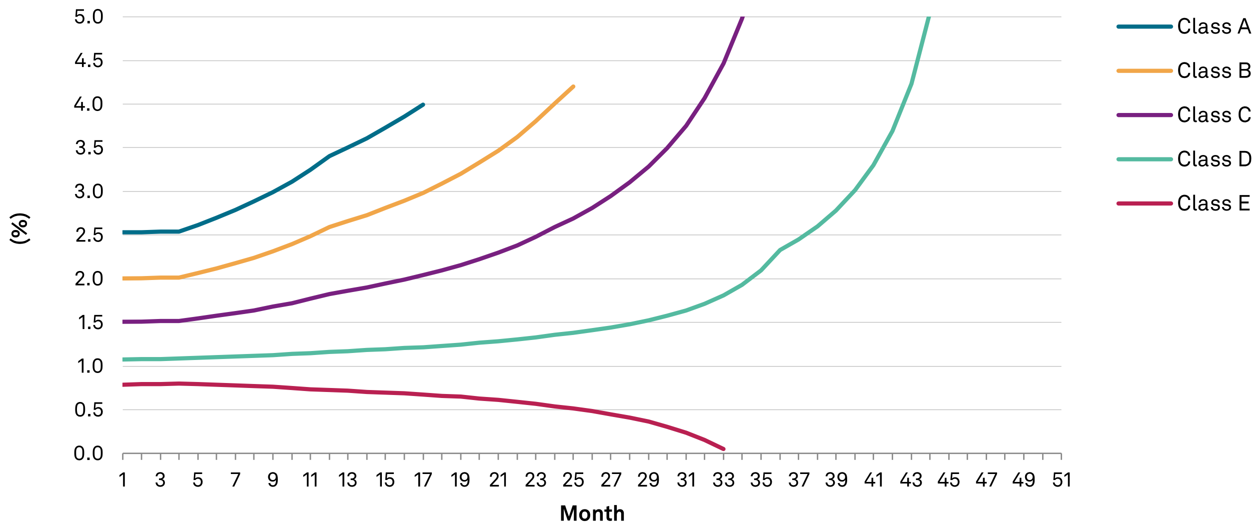
Maximum projected deterioration under moderate stress conditions(i)

	Stress scenario				
Horizon	AAA	AA	A	BBB	BB
One year	AA	A	BB	B	CCC
Three years	BBB	BB	B	CCC	D

(i)These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 4

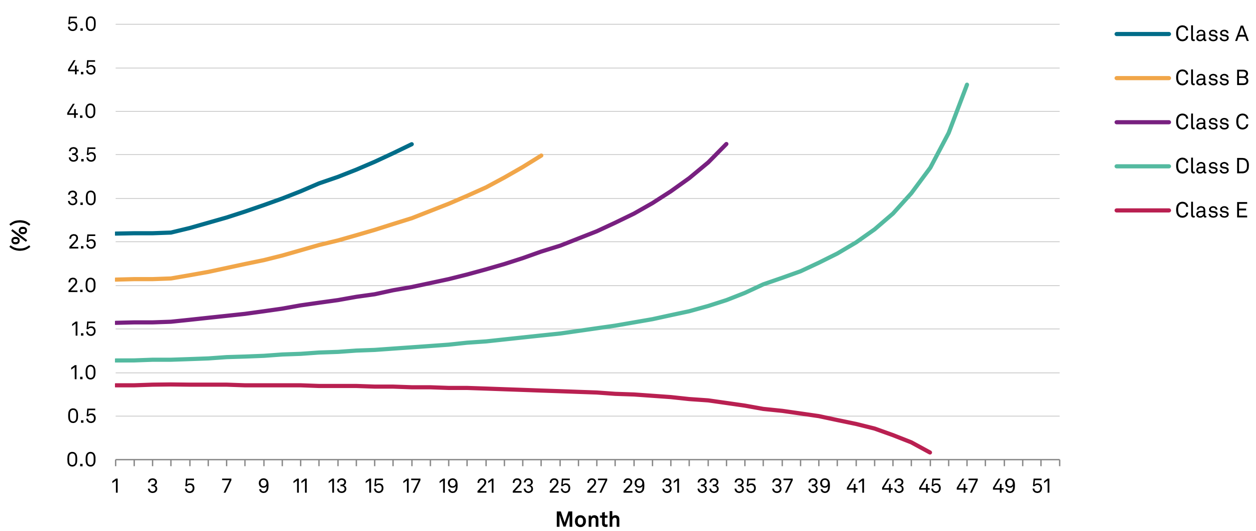
'BBB' sensitivity loss coverage multiples (front-loaded loss curve)



Class A--Classes A-1, A-2, and A-3, collectively.

Chart 5

'BBB' sensitivity loss coverage multiples (back-loaded loss curve)



Class A--Classes A-1, A-2, and A-3, collectively.

Money market tranche sizing

The proposed money market tranche's (class A-1) legal final maturity date is Feb. 17, 2025. To test whether the money market tranche can be repaid by its maturity date, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and a 0.25% absolute prepayment speed for our cash flow analysis, 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 set for classes A-2, A-3, B, C, and D, 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 that date. For the longest-dated security (class E), we added nine months to the tenor of the longest-dated receivable in the pool to accommodate extensions on the receivables. Further, in the break-even scenario for each respective rating level, we confirmed that the credit enhancement was sufficient to both cover losses and repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the GCAR 2024-1 bank accounts will be established in the name of the indenture trustee, UMB Bank N.A., as segregated trust accounts. 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).

GLS has a long history in the subprime auto finance business. As servicer, GLS has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A backup servicer, UMB Bank N.A., is engaged for the outstanding series, which, along with the loan file subcustodians, Wells Fargo Bank N.A. and DealerTrack, would enable servicing transition if necessary. Commingling risk is addressed in this transaction by the requirement that all payments are deposited to a lockbox account to which the servicer's access is limited. Payments are then transferred to a deposit account in the name of the special-purpose entity and held with an eligible counterparty. Our operational risk assessment of GLS as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

GLS will act as custodian of the loan contracts and the related loan files. The transaction documents contain provisions for transition of the custodian to the indenture trustee under certain events.

Regulatory

GLS 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 on our counterparty and operational risk assessments.

GLS

GLS is a Delaware limited liability company that was formed on Oct. 28, 2011. GLS is an independent auto finance company that buys auto retail installment sales contracts secured by new and used vehicles from automobile dealers. The company is headquartered in Greenville, S.C., where most of its operations are located. It also has a servicing center in Tempe, Ariz.

GLS primarily offers financing to consumers who are unable to obtain financing from traditional financing sources such as banks, credit unions, and captive automobile finance companies. GLS' typical customers have experienced prior credit difficulties, a limited credit history, and generally a FICO score ranging from 470 to 620 (though some customers do not have a FICO score). GLS funds its contract originations through its warehouse lines of credit and an arrangement with its flow purchase partners.

As of Dec. 31, 2023, GLS had 1,010 full-time employees operating in 48 states, and it maintains a dealer network of over 15,500 automobile dealerships. The company also had total assets of approximately $5.52 billion and loss absorbing capital of approximately $482.28 million.

GLS has been operating in the automobile finance business since August 2012. The company acquired Resurgent Auto Finance LLC (RAF) in 2012 with equity from Doug Duncan and BlueMountain Capital Management LLC, a diversified alternative asset manager. Since its founding, GLS has steadily grown its business, with a focus on building out its infrastructure, validating its scorecards, and optimizing its business platform. As of Dec. 31, 2023, GLS serviced a portfolio of 322,075 automobile loan contracts with an aggregate principal balance of approximately $6.07 billion.

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: November 2023 Performance, Jan. 9, 2024
- Various Rating Actions Taken On 14 GLS Auto Receivables Issuer Trust Transactions, Dec. 7, 2023
- Credit Conditions North America Q1 2024: A Cluster of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023