Presale:

GLS Auto Receivables Issuer Trust 2023-4

November 2, 2023

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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	58.50	Nov. 15, 2024
A-2	AAA (sf)	Senior	Fixed	126.00	Dec. 15, 2026
A-3	AAA (sf)	Senior	Fixed	41.50	June 15, 2027
B	AA (sf)	Subordinate	Fixed	68.99	March 15, 2028
C	A (sf)	Subordinate	Fixed	63.80	Aug. 15, 2029
D	BBB- (sf)	Subordinate	Fixed	65.03	Aug. 15, 2029
E	BB- (sf)	Subordinate	Fixed	45.25	Aug. 15, 2030

Note: This presale report is based on information as of Nov. 2, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The interest rates for each class will be determined on the pricing date.

Profile

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 2023-4.
Underlying trust	GLS Auto Receivables Trust 2023-4.
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 2023-4's (GCAR 2023-4) automobile receivables-backed notes reflect:

- The availability of approximately 56.24%, 47.61%, 37.10%, 27.69%, and 22.54% 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, 1.55x, and 1.27x 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 credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for GCAR 2023-4 is 17.50%, which is unchanged from GCAR 2023-3. It reflects:

- GCAR's more recent outstanding series, particularly series 2021-3 through 2023-1, which are showing signs of performance deterioration with higher losses and delinquencies, and lower recovery rates compared with the more seasoned transactions;
- Our view that the GCAR 2023-4 collateral characteristics are comparable to those of GCAR 2023-3; 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 2023-3

- Total initial hard credit enhancement for the class A, B, C, D, and E notes decreased to 55.30%, 41.35%, 28.45%, 15.30%, and 6.15%, respectively, from 55.55%, 41.80%, 29.50%, 15.90% and 7.35% (see table 1).
- Subordination increased for classes A, B, C, and D to 49.15%, 35.20%, 22.30%, and 9.15%, respectively, from 48.20%, 34.45%, 22.15%, and 8.55%.
- The initial overcollateralization decreased to 5.15% (from 6.35%) of the initial collateral pool balance and will grow to a target of 9.50% (from 9.40%) of the current pool balance plus 1.50% of the initial pool balance.
- The estimated excess spread (pre-pricing) decreased to 10.67% from 10.90% (post-pricing).

The change in the initial hard credit enhancement partly reflects the lower estimated excess spread for GCAR 2023-4 (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				
	2023-4	2023-3	2023-2	2023-1	2022-3
Subordination(i)					
Class A	49.15	48.20	48.50	47.80	45.45
Class B	35.20	34.45	34.25	34.15	33.30
Class C	22.30	22.15	21.20	21.10	21.20
Class D	9.15	8.55	7.55	8.15	7.90
Class E	0.00	0.00	0.00	0.00	0.00
Overcollateralization					
Initial(i)	5.15	6.35	5.20	6.80	6.40
Target(ii)	9.50 + 1.50	9.40 + 1.50	9.05 + 1.50	12.60 + 1.50	10.30 + 1.50
Floor(i)	1.50	1.50	1.50	1.50	1.50

Table 1

Credit enhancement summary (%) (cont.)

	GCAR				
	2023-4	2023-3	2023-2	2023-1	2022-3
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	55.30	55.55	54.70	55.60	52.85
Class B	41.35	41.80	40.45	41.95	40.70
Class C	28.45	29.50	27.40	28.90	28.60
Class D	15.30	15.90	13.75	15.95	15.30
Class E	6.15	7.35	6.20	7.80	7.40
Estimated excess spread per year(iii)	10.67	10.90	11.06	10.31	9.14

(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 2023-3

The significant collateral changes in the GCAR 2023-4 statistical pool (as of Sept. 30, 2023) from the GCAR 2023-3 closing pool include:

- The percentage of the pool balance that has ever been extended decreased to 0.83% from 1.18% due to a decrease in seasoned collateral.
- The weighted average non-zero FICO score increased to 591 from 583.
- The weighted average proprietary score (e-score) decreased to 666 from 667.
- The weighted average annual percentage rate increased to 21.43% from 20.66%.
- Loans with an original term of 67-72 months decreased to 82.36% from 83.29%.
- The weighted average seasoning decreased to 1.20 months from 2.31 months due to a decrease in seasoned collateral.
- The percentage of collateral originated through the Core platform increased to 54.31% from 53.56%, while the percentage of collateral originated through Ally decreased to 22.17% from 23.27%. According to GLS, the Ally-originated loans perform better than the Core loans (with a 10.00%-15.00% loss expectation versus 16.00%-17.00% for Core).

In our view, the GCAR 2023-4 statistical collateral pool is comparable to the GCAR 2023-3 final pool (see table 2). The GCAR 2023-4 final collateral pool as of the Oct. 31, 2023, cutoff date, is not expected to be materially different from the statistical pool. We have factored this into our expected loss for GCAR 2023-4 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison(i)

	GCAR				
	2023-4	2023-3	2023-2	2023-1	2022-3
Pool balance (mil. $)	494.02	482.57	328.40	327.71	338.81
No. of receivables	22,181	21,464	15,105	17,162	14,691
Avg. principal balance ($)	22,272	22,483	21,741	19,095	23,062
WA APR (%)	21.43	20.66	20.87	20.77	18.46
WA original term (mos.)	70.38	70.42	70.38	69.77	69.39
WA remaining term (mos.)	69.18	68.12	68.42	63.71	67.03
WA seasoning (mos.)	1.20	2.31	1.96	6.06	2.36
Loans with original term of 61-66 mos. (%)	10.80	9.74	10.13	10.93	17.68
Loans with original term of 67-72 mos. (%)	82.36	83.29	82.81	78.42	71.80
New vehicles (%)	8.13	7.47	6.34	7.49	9.50
Used vehicles (%)	91.87	92.53	93.66	92.51	90.50
WA mileage	64,744	62,095	62,366	61,422	60,434
WA LTV ratio (%)	118.56	117.42	118.97	118.18	117.54
WA PTI ratio (%)	11.75	11.66	11.87	11.75	11.92
WA non-zero FICO score(ii)	591	583	575	572	577
FICO score (%)					
No score	11.10	7.95	6.27	6.68	6.42
375-499	6.46	7.07	9.01	9.87	8.04
500-524	7.37	8.41	9.71	10.21	8.99
525-549	10.72	11.79	13.19	13.55	13.64
550-574	12.71	14.44	14.70	14.92	15.07
575-599	13.53	15.34	15.12	14.84	15.85
600-624	14.02	15.98	16.45	15.58	16.49
625-649	9.09	7.69	7.58	6.93	7.45
650 and greater	15.00	11.31	7.97	7.44	8.06
WA proprietary credit score	666	667	659	649	649
Proprietary score (%)					
500 and lower	0.77	0.69	1.12	1.88	2.17
501-550	2.58	3.14	4.30	6.67	7.54
551-600	10.34	11.26	14.04	17.19	15.90
601-650	24.52	24.44	25.58	25.50	24.76
651-700	35.38	29.64	27.64	24.04	24.60
701 and greater	26.40	30.83	27.30	24.72	25.04
Ever extended (%)	0.83	1.18	2.34	8.64	1.46

Table 2

Collateral comparison(i) (cont.)

	GCAR				
	2023-4	2023-3	2023-2	2023-1	2022-3
Top three origination channel (%)					
CORE	54.31	53.56	52.42	50.72	53.41
Ally	22.17	23.27	23.40	23.30	23.70
Nissan	7.58	7.76	8.98	8.98	9.31
Other	15.93	15.41	15.20	17.00	13.59
Top five state concentrations (%)					
	TX=14.10	TX=13.65	TX=13.47	TX=13.85	TX=14.09
	CA=10.47	CA=12.58	CA=11.58	CA=10.93	CA=11.14
	FL=10.15	FL=9.45	FL=9.07	FL=9.31	FL=9.10
	GA=6.25	GA=5.28	GA=5.39	GA=6.03	GA=5.54
	OH=4.09	OH=3.83	OH=3.87	OH=3.86	NC=3.80

(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 4, 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.

U.S. economic data has been coming in stronger than expected, which suggests that an ever-elusive soft landing is still possible. Better-than-expected growth has led us to revise our U.S. GDP forecast for 2023 upwards by 0.5 percentage points to 2.30%. However, we believe the current momentum is unsustainable because the 10-year Treasury yield and the 30-year mortgage rate have recently risen to levels not seen since before the Great Financial Crisis (GFC) of 2008, and COVID-19 pandemic-related excess savings have been largely depleted. With higher interest rates, increases in housing prices, and higher prices for new and used automobiles, recent and new debt origination, coupled with the resumption of student-loan payments, will put upward pressure on debt service ratios and negatively affect consumer spending. As such, we see growth slowing to 1.30% in 2024 and 1.40% in 2025, before converging to trend-like growth of 1.80% in 2026 (after multiple rate cuts in 2025 and 2026).

Given the usual lags between GDP growth and unemployment levels, we don't expect a significant deterioration in labor markets until 2024. With growth expected to slow below trend after 2023, we forecast the unemployment rate rising to an average of 4.10% in 2024 and 4.70% in 2025 (see "Economic Outlook U.S. Q4 2023: Slowdown Delayed, Not Averted," published Sept. 25, 2023).

Separately, inflation and the expected increase--albeit slow--in the broader consumer financial obligations' payment ratio as a percent of disposable income, with the resumption of student loan payments in October 2023, are potential headwinds. While the Consumer Price Index (CPI) has declined significantly since 2022, energy prices have jumped recently and have had a disproportion impact on those with lower incomes. In addition, it is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the COVID-19 pandemic will resume payments in October 2023 with an average monthly payment of approximately $300. According to TransUnion, approximately one-third of consumers with student loan debt took on new auto loan debt during the COVID-19 pandemic. The added student debt payment will be burdensome for consumers who are financially stressed, which could negatively impact auto loan ABS performance. However, 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.

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.

Table 3

U.S. economic factors (%)

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.3	1.3	1.4	1.8
Unemployment rate (% annual average)	3.6	3.6	4.1	4.7	4.8
Consumer Price Index (% annual average)	8.0	4.1	2.4	1.9	2.3

GDP--Gross domestic product. 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 2023-4 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 2023-4, 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 2023-4 to experience lifetime CNLs of 17.50%, unchanged from series 2023-3.

Managed portfolio

GLS' managed portfolio, for loans originated and serviced under its subprime origination program, increased approximately 2.15% to $4.392 billion as of Sept. 30, 2023, from $4.300 billion a year earlier (see table 4). As of Sept. 30, 2023, total delinquencies as a percentage of the portfolio were 18.71%, up from 16.88% 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 7.28% from 4.66%. We attribute this performance to ongoing normalization to pre-COVID-19 pandemic levels, as well as recent economic headwinds, including inflationary pressures, affecting consumers. Vehicle recovery rates, while still strong relative to historical standards, are normalizing.

Table 4

Managed portfolio(i)

	As of Sept. 30		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Principal amount outstanding end of period (mil. $)	4,392.12	4,299,68	4,168.31	3,993.54	2,781.06	2,539.38	1,543.85
Delinquencies (%)							
31-60 days(ii)	12.29	11.47	12.44	9.88	11.16	12.20	10.97
61-90 days	4.34	3.48	4.26	2.82	3.45	4.01	3.57
90-plus days	2.07	1.94	2.14	1.69	2.09	2.05	2.03
Total delinquencies as a % of principal amount outstanding(iii)	18.71	16.88	18.83	14.40	16.69	18.27	16.56
Net charge-offs							
Average principal amount outstanding during the period (mil. $)	4,260.59	4,305.44	4,282.38	3,434.44	2,758.76	2,137.13	1,169.17
Net charge-offs as a % of average principal outstanding	7.28	4.66	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 loan-to-value (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 2023-4 pool composition by the cohorts described above, to derive a weighted average cumulative loss.

GLS transaction performance

GLS has 17 outstanding securitizations. These transactions generally continue to perform in line with or better than our expectations, except GCAR 2022-1, which is trending worse than our original CNL expectations (see "Seven Ratings Raised And Three Affirmed On Two GLS Auto Receivables Issuer Trust Transactions," published April 14, 2023).

The rating actions reflect our views regarding these transactions' collateral performance at the time of the reviews, their future performance, structure, credit enhancement, and remaining CNL expectations, among other factors (see table 5).

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	53	10.73	34.92	13.24	11.23	19.25-20.25	12.75-13.25	12.50
2019-3	50	13.44	31.63	11.87	10.16	19.25-20.25	12.50-13.00	12.00
2019-4	47	15.30	29.77	11.07	8.86	19.25-20.25	12.00-13.00	11.75
2020-1	44	17.43	28.62	10.33	8.53	18.50-19.50	12.00-13.00	11.75
2020-2	40	20.55	27.80	10.07	8.15	18.50-19.50	12.00-13.00	11.75
2020-3	38	22.05	26.24	8.91	6.71	21.50-22.50	12.00-13.00	11.75
2020-4	34	27.46	24.84	8.14	6.11	21.50-22.50	12.00-13.00	11.75
2021-1	31	29.58	25.87	9.57	7.03	21.25-22.25	N/A	12.75
2021-2	28	37.41	25.21	8.80	7.31	19.50-20.50	N/A	13.50
2021-3	25	42.46	22.56	7.85	7.87	19.00-20.00	N/A	14.50
2021-4	22	49.45	20.97	6.96	7.73	16.75-17.75	N/A	16.00
2022-1	19	54.03	21.41	7.58	7.87	16.25-17.25	N/A	17.50
2022-2	16	63.67	21.08	6.71	7.82	16.25-17.25	N/A	N/A
2022-3	13	70.39	20.20	6.24	5.99	16.25-17.25	N/A	N/A
2023-1	7	82.57	17.64	5.79	3.15	17.50	N/A	N/A
2023-2	5	91.63	14.93	4.71	0.96	17.50	N/A	N/A
2023-3	2	97.30	8.35	1.51	0.03	17.50	N/A	N/A

(i)As of the October 2023 distribution date. (ii)GCAR 2019-2 through 2020-4 revised in February 2022. (iii)GCAR 2021-4 and 2022-1 revised in April 2023. GCAR 2019-2 through 2020-4, 2022-2, and 2022-3 revised in October 2022. GCAR 2021-1 revised in August 2022. 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

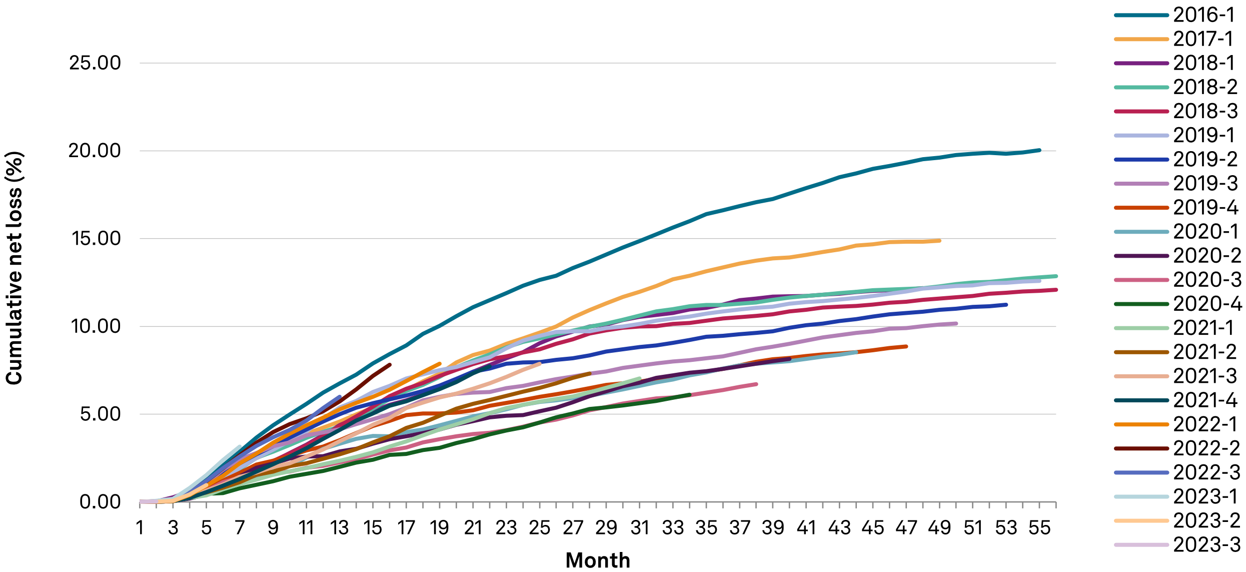
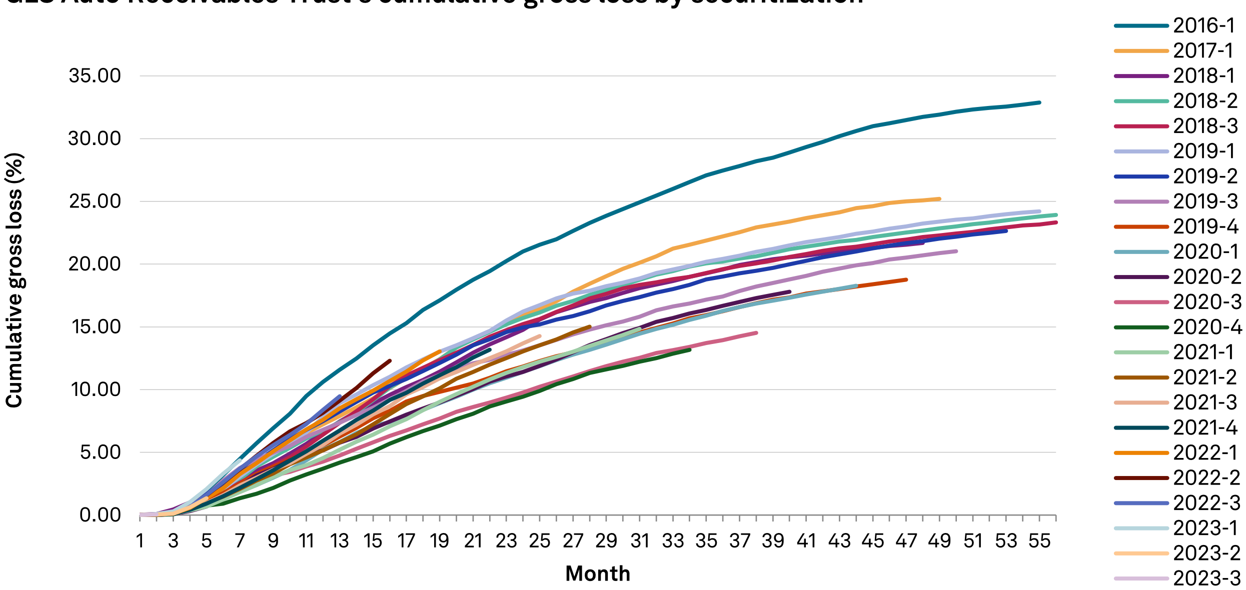


Chart 2

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 2023-4, the underlying trust. As the underlying trust, GLS Auto Receivables Trust 2023-4 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 2023-4, 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 2023-4 incorporates the following structural features:

- A senior-subordinated sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 5.15% of the initial pool balance that will build to a target of 9.50% 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 (to the extent available after covering net losses) to pay principal on the outstanding notes.
- An optional clean-up call of 5.00% of the initial pool balance.

Chart 3 shows the transaction structure.

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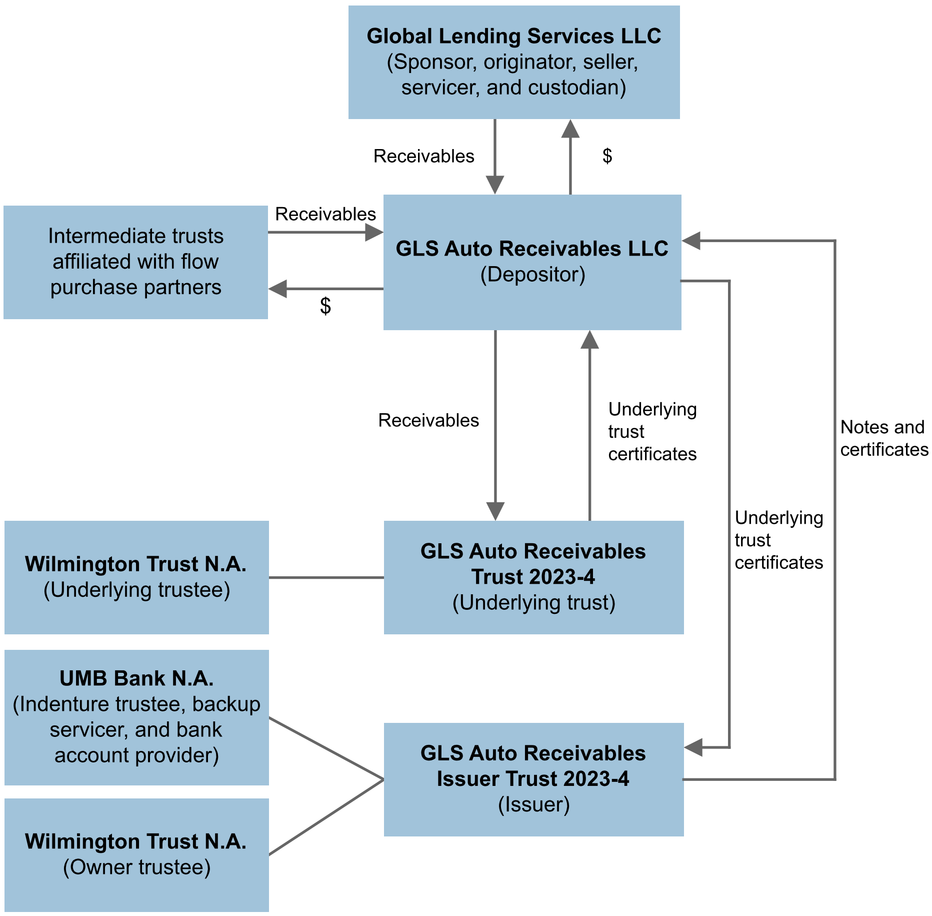
Chart 3

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 50.0% 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 $494.54 million as of Oct. 31, 2023, which is not expected to be materially different from the Sept. 30, 2023, statistical pool of $491.44 million (as shown in the Collateral section above and table 2).

Break-even analysis

For the GCAR 2023-4 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	75/100	42/78/100	35/65/90/100	35/65/90/100	35/65/90/100
Back-loaded loss curve	74/100	36/80/100	28/61/88 /100	25/55/80/95/100	25/55/80/95/100
Approx. break-even CNL levels (%)(i)					
Required	56.0	47.3	36.8	27.1	22.2
Available: front-loaded loss curve	56.2	47.6	37.1	27.7	22.5
Available: back-loaded loss curve	56.3	47.7	38.4	28.7	22.5

(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

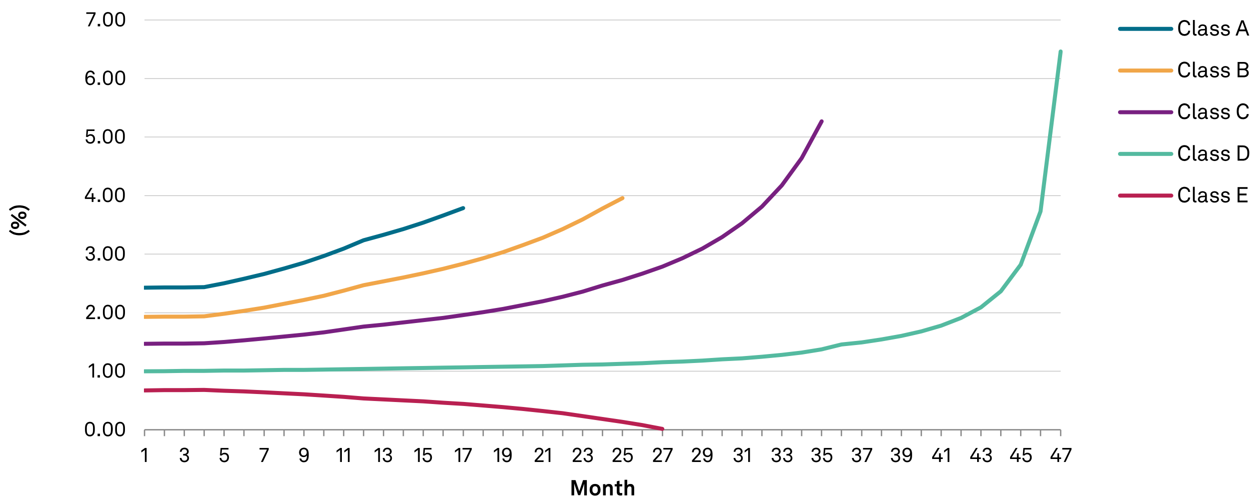
Credit stability as a limiting factor on ratings

	Maximum projected deterioration associated with rating levels for one- and three-year horizons under moderate stress conditions				
Horizon	AAA	AA	A	BBB	BB
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

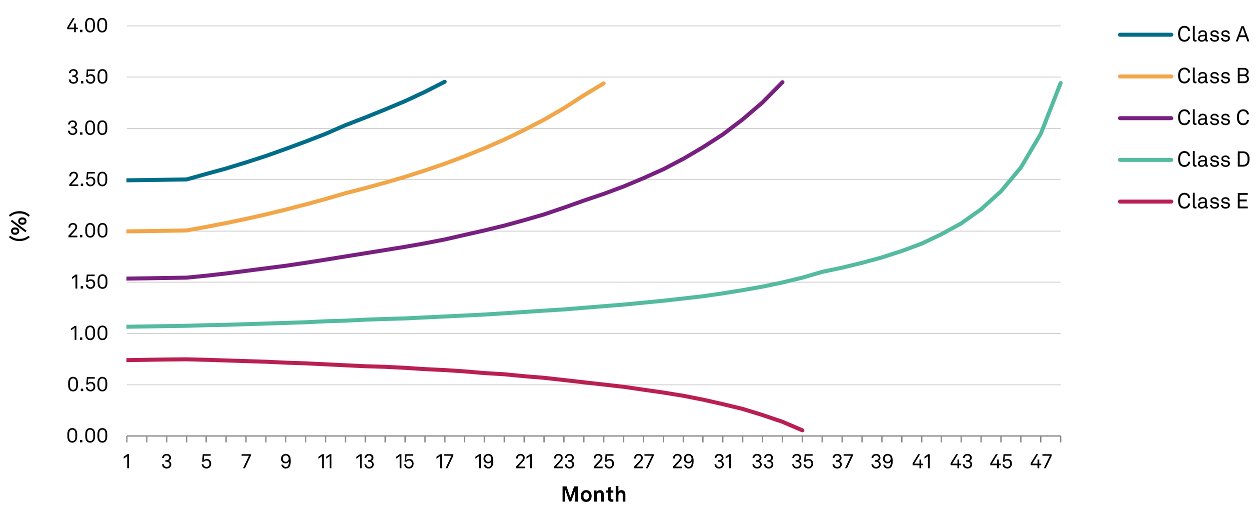
'BBB' sensitivity loss coverage multiples (front-loaded loss curve)



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

Chart 5

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



Class A--Class 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 Nov. 15, 2024. 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, 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 2023-4 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, have a limited credit history, and generally have 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 Sept. 30, 2023, GLS had 1,035 full-time employees operating in 48 states, and it maintains a dealer network of over 15,000 automobile dealerships. The company also had total assets of approximately $5.34 billion and loss absorbing capital of approximately $468.95 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 Sept. 30, 2023, GLS serviced a portfolio of 309,279 automobile loan contracts with an aggregate principal balance of approximately $5.83 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: August 2023 Performance, Oct. 12, 2023
- Credit Conditions North America Q4 2023: Shift To Low Gear, Sept. 26, 2023
- Economic Outlook U.S. Q4 2023: Slowdown Delayed, Not Averted, Sept. 25, 2023
- Seven Ratings Raised And Three Affirmed On Two GLS Auto Receivables Issuer Trust Transactions, April 14, 2023
- Twenty-Five Ratings Raised And 11 Affirmed On 12 GLS Auto Receivables Issuer Trust Transactions, Oct. 14, 2022
- Four Ratings Raised From GLS Auto Receivables Issuer Trust 2021-1, Aug. 12, 2022