S&P Global Ratings

Research

Presale:

WF Card Issuance Trust WFCardSeries Class A(2024-1)

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Preliminary rating

Class	Preliminary rating	Interest rate(i)	Amount (mil. $)	Required credit support (%)	Expected maturity date	Legal final maturity date
A(2024-1)	AAA (sf)	Fixed	500.00	20.00	Feb. 16, 2027	Feb. 15, 2029

Note: This presale report is based on information as of Feb. 15, 2024. 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 actual interest rate will be determined on the pricing date.

Profile

Collateral	A pool of revolving consumer credit card receivables generated by designated accounts that are owned by Wells Fargo Bank N.A.
Sponsor, servicer, originator	Wells Fargo Bank N.A. (A+/Stable/A-1).
Issuer	WF Card Issuance Trust.
Depositor and transferor	WF Card Funding LLC.
Owner Trustee	Wilmington Trust N.A.
Indenture Trustee	U.S. Bank Trust Co. N.A.
Bank account provider	U.S Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary rating assigned to WF Card Issuance Trust's (WFCIT) WFCardSeries class A(2024-1) notes reflects:

- Our view that the 20.00% credit support for the class A notes, which is provided by the subordinated class B, C, and D notes, are sufficient to withstand the simultaneous stresses we apply to the loss rate, payment rate, yield, purchase rate, excess spread, and coupons for the notes (see table 3, Collateral Overview, and S&P Global Ratings' Assumptions sections below);

- Our view that the 5.00% minimum transferor interest percentage will be insufficient in our 'AAA' stress scenarios to absorb dilution or noncash reductions in the receivables in full, resulting in a 1.00% uncovered dilution, which is captured in our cash flow analysis;
- The timely payment of interest each month and full principal repayment made by the legal final maturity date under our stressed cash flow modeling scenarios for the assigned preliminary rating;
- Our expectation that under a moderate ('BBB') stress scenario and all else being equal, the assigned preliminary 'AAA (sf)' rating will remain within the limits as specified in the credit stability section of "S&P Global Ratings Definitions," published June 9, 2023;
- Our view of the credit risk in the collateral loan pool based on our economic forecast, the credit quality and historical performance of the master trust portfolio's receivables, the collateral characteristics, and vintage performance data;
- That the trust receivables performance has remained steady year-to-date. We believe our base-case and stressed assumptions continue to adequately capture the credit risks of the credit card receivables and corresponding performance, our updated macroeconomic forecast for the U.S., and our forward-looking view of the credit card sector;
- Our operational risk assessment of Wells Fargo Bank N.A. (WFBNA; A+/Stable/A-1) as servicer, along with our view of its origination, underwriting, account management, collections, and general operational practices;
- Our assessment of the series' bank accounts at U.S. Bank N.A. (A+/Stable/A-1), which do not constrain the preliminary ratings (see the Transaction Counterparties section below); and
- Our view of the transaction's payment structure, cash flow mechanics, and legal structure.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For credit card asset-backed securities (ABS), we view the exposure to environmental credit factors as below average, to social credit factors as above average, and to governance credit factors as average (see "ESG Industry Report Card: Credit Card Asset-Backed Securities," published March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark.

Social credit factors are generally viewed as above average, given the relatively high interest rates for borrowers who carry a balance month-to-month. However, we believe our approach to determining yield stresses, which considers the impact of any potential legislation or regulatory actions on interest rates and fees, adequately accounts for this.

Governance credit factors are generally viewed as average, reflecting the originator's active role managing the revolving collateral pool over the transaction's life, exposing investors to the risk of loosening underwriting standards or potential adverse selection. To account for this risk, we assumed that the pool's composition and quality will reflect the originator/servicer's track records, operational strategies, and the historical performance data across varying economic cycles, typically resulting in a higher expected loss than that of the actual performance data.

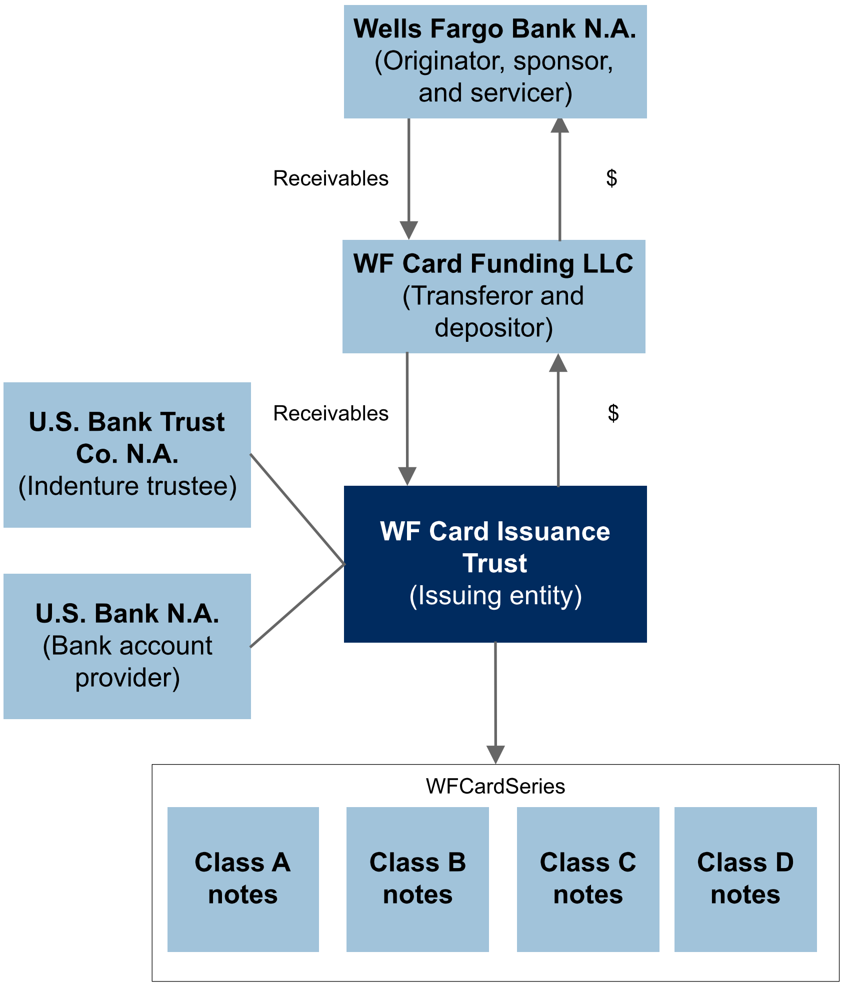
WFCardSeries Class A(2024-1) Notes Summary

The WFCardSeries A(2024-1) is the first series to be issued out of WFCIT. The WFCardSeries A(2024-1) transaction has a senior-subordinate structure consisting of class A, B, C, and D notes.

Key features of the class A(2024-1) issuance include the following:

- The notes will pay fixed-rate interest monthly on the 15th day of each calendar month, or the next business day if it is not a business day, beginning in April 2024.
- The class B, C, and D WFCardSeries notes will provide credit support to the class A(2024-1) notes. Based on the transaction documents, WFCIT may issue additional tranches of class A notes as long as the minimum required class B, C, and D WFCardSeries notes are outstanding to support them.
- Based on the transaction's documents, the class B, C, and D WFCardSeries notes' minimum subordination percentages required to support the class A notes are 12.500%, 8.125%, and 4.375%, respectively, when expressed as a percentage of the class A notes' adjusted outstanding dollar principal amount. When expressed as a percentage of the entire capital structure, these credit support levels translate to 20.00%, 10.00%, and 3.50% credit support from the class B, C, and D notes, respectively.

Transaction structure



The main features of the WFCardSeries securities include the following:

- WFBNA originates and owns the designated credit card accounts, and in its capacity as a seller, under the receivables purchase agreement, sells eligible receivables to WF Card Funding LLC. As the transferor under the transfer agreement, WF Card Funding LLC transfers and assigns all rights, titles, and interests of the eligible receivables to WFCIT. The collateral backing the WFCardSeries notes is the assigned receivables.
- The WFCardSeries has a senior-subordinated structure that can issue up to four classes of notes (classes A, B, C, and D) and pays interest and principal sequentially to the classes in order of class seniority. Each class of WFCardSeries notes may consist of one or more tranches (e.g. class A(2024-1)).
- The WFCardSeries is a delinked capital structure that permits additional note class amounts to be issued independently of one another so long as the required subordination amounts for existing classes are met.

Collateral Overview

When we review credit card trusts, we use peer group comparisons to refine our evaluation of a specific pool relative to similar portfolios based on collateral characteristics. Overall, we believe that the receivables designated to the trust have characteristics similar to other trusts in our U.S. bankcard Credit Card Quality Index (CCQI).

Table 1

Trust collateral characteristics

As of Dec. 31, 2023	
Total receivables balance (bil. $)	3.8
Average principal balance ($)	3,245
Average credit limit ($)	10,874
Utilization rate (%)	30.2
Average age of accounts (mos.)	107
Credit score 660 and above (% of receivables)	93.4
Credit score 720 and above (% of receivables)	51.2

WFCIT's collateral pool of approximately $3.8 billion, as of Dec. 31, 2023, consists of general-purpose credit card receivables generated by consumer accounts that Wells Fargo Bank originates and services. Accounts designated to the trust portfolio were chosen from among the accounts in the representative portfolio that satisfy the eligibility criteria specified in the receivables purchase agreement and the transfer agreement.

Approximately 93.4% of the receivables in the portfolio were generated under accounts from prime borrowers with credit scores of 660 and above. The accounts are generally well-seasoned with approximately 80.7% of the receivables generated from accounts open five years or more (see table 2). The trust's collateral pool is geographically diverse, with the top five states accounting for 49.0% of the receivables.

Collateral Performance

We compared the trust portfolio performance against our CCQI (see table 2). Because the accounts for the trust were designated in November 2023, the trust portfolio's historical performance is limited. Therefore, we have compared the five-year performance of the representative portfolio from which the accounts designated to the trust were selected. Overall, the representative portfolio had lower payment rates, higher loss rates, and marginally higher yields compared to our CCQI.

Table 2

WF Card Issuance Trust and representative portfolio performance

	CCQI	Trust Portfolio	Representative portfolio				
	Year ended Dec. 31	One-Month ended Dec. 31	Year ended Dec. 31				
	2023	2023	2023	2022	2021	2020	2019
Avg. receivables outstanding (bil. $)	130.80	3.73	26.28	23.77	21.18	21.41	22.08
Annual yield (%)	24.68	27.24	25.20	22.93	21.48	19.77	21.24
Avg. monthly payment rate (%)	39.87	32.53	27.82	29.61	30.40	24.54	24.01
Annualized net losses (%)	1.77	0.14	3.71	2.14	2.34	3.06	3.42
Delinquency of 30 days of more (%)	1.47(i)	0.10	2.94	2.06	1.40	2.01	2.34

(i)As of the last day of the period. CCQI--S&P Global Ratings' Bankcard Credit Card Quality Index.

S&P Global Ratings' Assumptions

In deriving our base-case and stress performance assumptions for this trust, we analyzed the collateral characteristics of the trust portfolio and representative portfolio, and we reviewed more than five years of historical performance of the representative portfolio receivables. We also used benchmarking and peer comparison analysis in our determination.

While we consider the historical performance of a credit card pool relevant in evaluating credit risk, we also use a forward-looking analysis that includes macroeconomic factors and forecasts, such as the unemployment rate, bankruptcies, and household debt, among others, as we believe that these factors could affect consumers' ability to repay their credit card debt.

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. We also use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

Our cash flow analysis assumes an early amortization scenario, during which the stressed yield collections are applied to cover the transaction's monthly expenses (coupons, servicing fee, defaults, and other costs), and principal collection is passed through to investors to pay down the notes.

A summary of the assumptions and stresses we used when assigning our preliminary rating to the class A(2024-1) notes is shown in table 3. We believe they adequately reflect our view regarding the credit risk of the credit card receivables and corresponding performance, our macroeconomic forecast for the U.S., and our forward-looking view of the U.S. bankcard sector.

Table 3

S&P Global Ratings' credit rating scenarios

	Net losses(i)	Total payment rate(ii)	Yield(ii)	Purchase rate(ii)	Excess spread	Uncovered dilution
Base-case assumption (%)	7.50	17.50	18.00	N/A	N/A	N/A
'AAA' rating stress assumption (%)	35.00	8.50	11.00	3.00	(6.00)	1.00

(i)In our 'AAA' rating scenario, losses rise to the stressed assumption over 12 months. (ii)The total payment, yield, and purchase rates start at the stressed levels in the first month of our cash flow runs. N/A--Not applicable.

Our loss rate assumption is generally above the trust's current performance, and our payment rate and yield assumptions are generally below the trust's current performance because we believe that revolving pools could change over time and performance could weaken if unseasoned accounts with lower credit quality are included in the trust. The stresses we use are commensurate with 'AAA' level rating scenarios and are based on our criteria "U.S. Credit Card Securitizations: Methodology And Assumptions," published Aug. 24, 2017.

Loss Rate

Over the five-year historical period, the representative portfolio net loss has tracked higher than the CCQI, averaging 3.71% for the 12 months ended Dec. 31, 2023 (see table 3).

Our 7.50% base-case loss assumption for WFCIT is a forward-looking view that considers macroeconomic variables, including S&P Global Ratings' unemployment forecast under our baseline economic scenario. Our 35.0% (4.7x the base case) 'AAA' stressed annualized peak loss assumption for this trust is within the 3.0x-6.6x range that we established for the U.S. benchmark pool in our criteria.

In our cash flow analysis, we assumed that loss rates would rise to the stress levels within 12 months after the amortization period begins for the 'AAA' scenario.

Yield

The representative portfolio yield has generally performed in line with our CCQI over the past five years, averaging 25.20% for the 12 months ended Dec. 31, 2023 (see table 3).

Our base-case yield assumption for the trust is 18.00%. In our analysis, we believe interchange may not be available to the trust if the card lender becomes insolvent. We generally do not assign any credit to interchange in our yield assumptions for the higher rating categories. In cash flows at the 'AAA' rating level for bank credit card pools, we generally assume yield will be compressed in the 10.00%-13.00% range by the time a trust enters rapid amortization. For this trust, our stress assumption of 11.00% at the 'AAA' rating level is 61.11% of our base-case assumption of 18.00%.

In our 'AAA' cash flow analyses, we assumed an immediate decline in the stressed portfolio yield.

Payment Rate

The payment rate is the rate at which individuals pay down their balances each month. The magnitude of the payment rate affects the length of time during which asset-backed securities (ABS) investors are subjected to the credit risk of a deteriorating pool of assets. The higher the payment rate, the more quickly investors can be paid out in adverse scenarios.

Over the five-year historical period, the representative portfolio payment rate has trended below the CCQI, averaging 27.82% for the 12 months ended Dec. 31, 2023 (see table 3).

Our base-case total payment rate assumption for the pool is 17.50%. Total payment rates have steadily increased over the past few years, partly due to a steady increase in convenience-users paying the balance in full each month. As of Dec. 31, 2023, about 41.29% of the obligors in the pool paid down their balances in full each month.

Although the portfolio's payment rate has steadily increased, our stress scenarios assume that the number of convenience users in the pool declines and that the portion of revolvers (who carry at least some of their debt over to subsequent months) increases before the amortization period begins. Therefore, our 17.50% base-case assumption is well below the actual monthly payment rates.

Our 8.50% (48.6% of the base-case) 'AAA' stressed payment rate assumption for this trust is within the 45% to 55% range that we established for investment-grade originators in our criteria.

When modeling our 'AAA' rating scenario, we assume that payment rates immediately decrease to the stressed level.

Purchase Rate

The purchase rate is the rate at which new receivables are created and transferred to the trust as cardholders use their credit cards to make purchases or cash advances. The transfer of new receivables affects the level of principal receivables in the trust and the monthly collections available to repay the ABS. When rating credit card ABS, we consider the issuer credit rating on the originator in our purchase rate assumptions.

For WFCIT, our purchase rate assumptions consider the issuer credit rating assigned to WFBNA (A+/Stable/A-1), and we assume a 3.00% purchase rate in our 'AAA' cash flow scenario for this trust.

We could review our purchase rate assumption if WFBNA's issuer credit rating is lowered.

Dilution Analysis

Under the transaction's terms, the minimum transferor interest will equal at least 5.00% of the average principal receivables to cover dilution, or noncash reductions, in the principal receivables balance. Dilution includes refunds, rebates, and credit adjustments.

In our analysis, we reviewed the trust's available historical monthly dilution data, as well as peer data. Based upon the available data, we believe that the 5.00% minimum transferor interest will be insufficient in our 'AAA' stress scenario to cover our dilution stress of 6.00%. Our 'AAA' stress reflects a 1.00% uncovered dilution, which is captured in our cash flow analysis.

Sensitivity Analysis

Our ratings incorporate credit stability as one of several factors that we use to determine an issuer's or an issue's creditworthiness. Accordingly, we undertook a sensitivity analysis assuming the pool's base-case loss rate would increase to our current 'BBB' stressed loss rate assumption. We believe that under a moderate ('BBB') stress scenario, all else being equal, our preliminary rating on the class A(2024-1) notes 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 (see table 4).

Table 4

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**	**B**
One year	AA	A	BB	B	CCC	D
Three years	BBB	BB	B	CCC	D	D

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

Allocation and Payment Priority

The issuer allocates available finance charge collections to the card series notes on each distribution date in the priority shown in table 5.

Table 5

Application of finance charge collection

Priority	Payment
1	Interest on each tranche of class A notes, and related payments due to derivative counterparties, if applicable.
2	Interest on each tranche of class B notes, and related payments due to derivative counterparties, if applicable.
3	Interest on each tranche of class C notes, and related payments due to derivative counterparties, if applicable.
4	Interest on each tranche of class D notes, and related payments due to derivative counterparties, if applicable.
5	Servicing fee.
6	Treat as available principal collection to cover the notes' default amount.
7	Treat as available principal collection to cover nominal liquidation amount deficit.
8	Deposit into the accumulation reserve account, if necessary.
9	Deposit into the class C reserve account, if necessary.
10	Deposit into the class D reserve account, if necessary.
11	Make any other payments or deposits required for any class or tranche.
12	Reimbursements of shared excess available funds.
13	Release to issuing entity.

If the WFCardSeries share of collections of finance charge receivables for any month is insufficient to make the interest payments on each class (items 1-4 in table 5), then the WFCardSeries share of such collections will be paid, first, to each tranche of class A notes; second, to each tranche of class B notes; third, to each tranche of class C notes; and fourth, to each tranche of class D notes. In each case, they will be paid pro rata within the related class based on the ratio of the amount targeted to be paid to a tranche of notes to the amount targeted to be paid to all tranches of notes of such class.

If finance charge collections are insufficient to pay the WFCardSeries payments described in items 1-5 in table 5, the shortfalls will be paid by reallocating amounts from the available principal collections to the extent available for classes A, B, and C. Principal collections will not be made available to cover class D interest shortfall. Although this reallocation of principal provides liquidity protection for the transaction, if any reallocated principal is not reimbursed from future finance charge collections, the collateral amount available to pay the notes' principal balance may be reduced. Reallocated principal collections available to each class of notes are limited by the amount of subordination available to those notes.

If there is an investor charge-off for any monthly period, such reduction will be allocated to each tranche of WFCardSeries notes, beginning with the most subordinate class .

WFCardSeries is a principal-sharing series. Collections of principal receivables allocated to the collateral amount that are not needed to make deposits or payments for WFCardSeries can be made available to other series. Currently, there are no other series outstanding besides WFCardSeries.

During the revolving period, principal collections are paid to the transferor and then reinvested in new receivables. During the controlled accumulation period, collected principal will be deposited into a principal funding account daily for distribution to the noteholders on the expected payment date. An accumulation reserve account will be funded to 0.50% of the note principal balance from finance charge collections to cover any negative carry risk if the investment earnings on the principal funding account are insufficient to make monthly interest payments on the notes during the accumulation period. The reserve account does not need to be funded if the accumulation period is only one month.

After applying the share of principal collections to make up for shortfalls in the WFCardSeries share of finance charge collections, the indenture trustee will apply the WFCardSeries remaining share of collections of principal receivables to make targeted deposits to the principal funding of each tranche of notes per table 6.

Table 6

Application of principal payment

Priority	Payment
1	Cover interest shortfall for each tranche of class A notes.
2	Cover interest shortfall for each tranche of class B notes.
3	Cover interest shortfall for each tranche of class C notes.
4	To pay unpaid servicing fee.
5	Make targeted deposits to the principal funding account of each tranche of class A.
6	Make targeted deposits to the principal funding account of each tranche of class B.
7	Make targeted deposits to the principal funding account of each tranche of class C.
8	Make targeted deposits to the principal funding account of each tranche of class D.

Table 6

Application of principal payment (cont.)

Priority	Payment
9	Reimbursements of shared excess available principal amounts.
10	Release to issuing entity.

Following an early amortization event for any tranche of WFCardSeries notes, including the offered notes, the tranche's share of principal collections will be paid monthly to the noteholders sequentially until paid in full.

Early Amortization And Events Of Default

Early amortization events include:

- The tranche principal balance not being fully paid on the expected payment date;
- The transferor fails to transfer the receivables into the trust, or Wells Fargo fails to transfer receivables to the transferor;
- The trust becoming subject to regulation as an investment company within the meaning of the Investment Company Act of 1940;
- The occurrence of a bank-related bankruptcy, insolvency, liquidation, conservatorship, receivership, or similar event to the issuer, the transferor, or Wells Fargo;
- An average excess spread percentage of less than zero for any three consecutive months;
- Failure to make the required payments or deposits, or perform another obligation, subject to cure periods;
- Material inaccuracies in representations and warranties, subject to cure periods; and
- The occurrence of any servicer default.

Events of default include:

- Failure of the trust to pay interest when due and payable, and the default continues for 35 days, or its failure to pay principal on the notes when due and payable on the legal maturity date;
- A trust-related bankruptcy, insolvency, conservatorship, receivership, liquidation, or similar event; or
- Failure of the trust to observe or perform covenants or agreements made in the indenture regarding the notes, and the failure continues for 60 days after the indenture trustee has or the noteholders representing at least 25% of the note principal amount have notified the trust, which requires the failure to be remedied, and it materially and adversely affects the noteholders' interests during the 60-day period.

Transaction Counterparties

On or before the closing date, the bank accounts will be established with the bank account provider, U.S Bank N.A. (A+/Stable/A-1). Our assessment of the bank account provider is consistent with our counterparty criteria for a 'AAA' supported transaction given its replacement framework (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

As servicer, Wells Fargo Bank N.A. (A+/Stable/A-1) has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. Commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. This requirement meets our counterparty criteria framework. Our operational risk assessment of Wells Fargo Bank N.A. (A+/Stable/A-1) as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | ABS: U.S. Credit Card Securitizations: Methodology And Assumptions, Aug. 24, 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

- Global Structured Finance 2024 Outlook, Jan. 10, 2024
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- U.S. and Canada Credit Card ABS Review, Feb. 23, 2023