Presale:

GTE Auto Receivables Trust 2023-1

April 20, 2023

(***Editor's Note:*** *This presale report was originally published on April 20, 2023. We republished the presale on June 26, 2023, to update the language in the Environmental, Social, And Governance (ESG) Factors section for clarification purposes.)*

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	34.55	April 15, 2024
A-2	AAA (sf)	Senior	Fixed	83.56	Aug. 17, 2026
A-3	AAA (sf)	Senior	Fixed	42.39	March 15, 2028
A-4	AAA (sf)	Senior	Fixed	25.00	April 16, 2029
B	AA (sf)	Subordinate	Fixed	7.00	Aug. 15, 2029
C	A (sf)	Subordinate	Fixed	5.25	Nov. 15, 2029
D	BBB (sf)	Subordinate	Fixed	5.00	April 15, 2031

Note: This presale report is based on information as of April 20, 2023. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

Profile

Expected closing date	May 3, 2023.
Collateral	Prime auto loan receivables.
Issuer	GTE Auto Receivables Trust 2023-1.
Sponsor, originator, seller, servicer, and administrator	GTE Federal Credit Union.
Depositor	GTE Auto Funding LLC.
Indenture trustee and paying agent	U.S. Bank Trust Co. N.A. (AA-/Negative/A-1+).
Backup servicer	U.S. Bank N.A. (AA-/Negative/A-1+).
Owner trustee	Wilmington Trust N.A. (A/Stable/A-2).

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Rationale

The preliminary ratings assigned to GTE Auto Receivables Trust 2023-1's (GTE 2023-1's) asset-backed notes reflect our view of:

- The availability of approximately 13.65%, 10.50%, 8.16%, and 6.31% credit support (hard credit enhancement and haircut to excess spread) for the class A (collectively, class A-1, A-2, A-3, and A-4), B, C, and D notes, respectively, based on our stressed cash flow scenarios. These credit support levels provide coverage of at least 5.15x, 4.25x, 3.50x, and 2.75x our 2.10% expected cumulative net loss (ECNL) for the class A, B, C, and D notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).
- Our expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary 'A-1+ (sf)'/'AAA (sf)', 'AA (sf)', 'A (sf)', and 'BBB (sf)' ratings on the class A, B, C, and D 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' prime automobile loans, 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 U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of GTE Federal Credit Union (GTE) as servicer, and our view of the company's underwriting and backup servicing arrangement with U.S. 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 GTE 2023-1 is 2.10%, which is down from 3.00% (2.90%-3.10%) for GART 2019-1. It reflects:

- Our view that the series 2023-1 collateral characteristics are comparable to those for series 2019-1, primarily due to the more favorable FICO distribution offset by the higher percentage of longer-term loans;
- The outstanding series' performance, which continues to perform better than our initial expectations (see table 7 and charts 2 and 3); and
- Our forward-looking view of the auto finance sector.

The reduced initial hard enhancement reflects our lower ECNL for this transaction and higher excess spread, both of which are captured in our stressed cash flow analysis, which shows that the notes are credit enhanced to the degree appropriate for the assigned ratings.

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Key Rating Considerations

Based on our review of GTE's operations and performance history, and securitization pool characteristics, we considered the following strengths in rating this transaction:

- GTE, as a federal credit union (FCU), is regulated, insured, and supervised by the National Credit Union Administration (NCUA), who establishes, along with other regulations, capital and liquidity rules that GTE needs to follow.
- GTE has been in existence since 1935 and has decades of experience providing diversified personal and business banking products and services, including savings, checking, credit cards, mortgage, merchant services, insurance, investment, and student and auto loans.
- Managed portfolio performance data includes the years around the last recessionary period (2007-2009).
- As of Feb. 28, 2023, GTE has total assets of $2.934 billion (40% of which is comprised of auto loans) and capitalization of $290.168 million, with a net worth ratio of more than 8% for the past five years.
- The collateral pool has a weighted average FICO score of 730 and a minimum FICO cutoff of 620.
- Securitization performance of the GART 2019-1 transaction. At month 40 GART 2019-1 has experienced 0.74% of cumulative net losses, which is lower than our initial expected cumulative losses of 3.00%.
- U.S. Bank N.A. (AA-/Stable/A-1+) is the backup servicer with data mapped for GTE's servicing system. We believe this enables a smoother servicing transition to the backup servicer, if necessary.

In addition to the strengths outlined above, we considered the following risks:

- High geographic concentration of its obligor base. Approximately 98% of the loans were originated in and around the Tampa, Fla. region. To account for the potential risk due to a much higher than typical geographic concentration in this pool, we applied slightly higher multiples than 5.0x, 4.0x, 3.0x and 2.0x, for the 'AAA', 'AA', 'A', and 'BBB' ratings, respectively.
- High concentration of loans greater than 72 months comprising over 76% of the aggregate pool. Approximately 21% of the pool is comprised of loans with original terms of 73-75 months, and another 55% has terms of 76-84 months. GTE has provided origination static pool performance data beginning with 2012. For the 76-84 month loans, given the longer term, in our view, the data is somewhat limited with meaningful origination and performance data only from 2013.
- Higher performance volatility as a result of the Great Recession in 2008-2009 due to the geographic concentration in the Tampa region.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, to social credit factors as average, and to governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published March 31, 2021).

In our view, the exposure to social and governance credit factors in this transaction is in line with

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our sector benchmark. However, the significant geographic concentration in the portfolio differs from our sector benchmark (98% of the loans were originated in and around the Tampa, Fla. region). Geographically concentrated portfolios can be riskier due to the potential for greater localized economic downturns or disasters (e.g., climate physical risks such as hurricanes) that may adversely impact the pool's performance. To address this extremely high geographic concentration and the potential risk that it poses, we assumed higher ratings-appropriate stress scenarios that would provide higher levels of loss coverage than those we would normally consider for a more diversified prime pool with similar credit characteristics. In our analysis, we also took into account mitigating factors that include GTE's long operating history of servicing and originating loans in the Tampa region since 1935, the ability to relocate the collateral, and the originator's practice of requiring all obligors to maintain comprehensive insurance through the company's monthly monitoring and tracking.

We generally view environmental credit factors as above average because the collateral pool consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery and residual values adequately account 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.

Credit Enhancement And Collateral

Structural changes from GART 2019-1

The key structural changes from the GART 2019-1 transaction comprise:

- The inclusion of yield supplement overcollateralization (YSOC), which will be sized so that the effective contract rate on each loan will yield a minimum of 9.56%. The YSOC for each distribution date will be calculated at closing and will amortize according to a schedule.
- Total initial hard enhancement decreased for classes A, B, and C to 9.47%, 6.03%, and 3.45%, respectively, from 20.67, 8.62%, 5.79%.
- Subordination decreased for class A to 8.47% from 14.88% and increased for classes B and C to 5.03% and 2.45%, respectively, from 2.83% and 0.00%.
- The reserve account increased to 0.50% of the adjusted cutoff date pool balance from 0.25% of the initial aggregate pool balance.
- Initial overcollateralization decreased to 0.50% with a target of 1.65% compared to initial and target overcollateralization of 5.54% and 5.84%, respectively.
- The estimated annual excess spread, inclusive of YSOC for series 2023-1 only, before pricing increased to 2.91% from 2.21%.

The reduction in the initial hard credit enhancement generally reflects our lower ECNL of 2.10%. Our stressed cash flow results indicate that each class in the GTE 2023-1 transaction is enhanced to a degree consistent with the assigned preliminary rating (see the Cash Flow Modeling Assumptions And Results section below).

Table 1 shows the credit enhancement changes from GART 2019-1. Credit enhancement for GTE 2023-1 and GART 2019-1 is based on the final cutoff pool.

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Credit Enhancement Summary (%)(i)

	GTE 2023-1			GART 2019-1		
	Initial	Target	Floor	Initial	Target	Floor
Class A						
Subordination	8.47	8.47	8.47	14.88	14.88	14.88
Reserve account	0.50	0.50	0.50	0.25	0.25	0.25
Overcollateralization	0.50	1.65	1.65	5.54	5.85	5.85
Total	9.47	10.62	10.62	20.67	20.98	20.98
Class B						
Subordination	5.03	5.03	5.03	2.83	2.83	2.83
Reserve account	0.50	0.50	0.50	0.25	0.25	0.25
Overcollateralization	0.50	1.65	1.65	5.54	5.85	5.85
Total	6.03	7.18	7.18	8.62	8.93	8.93
Class C						
Subordination	2.45	2.45	2.45	0.00	0.00	0.00
Reserve account	0.50	0.50	0.50	0.25	0.25	0.25
Overcollateralization	0.50	1.65	1.65	5.54	5.85	5.85
Total	3.45	4.60	4.60	5.79	6.10	6.10
Class D						
Subordination	0.00	0.00	0.00	N/A	N/A	N/A
Reserve account	0.50	0.50	0.50	N/A	N/A	N/A
Overcollateralization	0.50	1.65	1.65	N/A	N/A	N/A
Total	1.00	2.10	2.10	N/A	N/A	N/A
Estimated excess spread per year (pre-pricing) (% of initial adjusted receivables balance)(ii)(iii)	2.91			2.15		
Estimated excess spread per year (post-pricing) (% of initial adjusted receivables balance)(ii)(iii)				2.21		
Initial gross receivables balance ($)	215,920,880			185,272,500		
Total notes ($)	202,750,000			175,000,000		
YSOC ($)(iii)	12,151,998					
Initial adjusted receivables balance ($)(iii)	203,768,882					
Initial overcollateralization ($)	1,018,882					

(i)Percentage of the initial aggregate pool balance. (ii) The estimates include the 1.00% servicing fee. (iii) reflective of final cutoff date of March 31, 2023, for series 2023-1. GART--GTE Auto Receivables Trust. YSOC--Yield supplement overcollateralization.

Collateral changes from GART 2019-1

The GTE 2023-1 statistical collateral pool is mostly comparable to the GART 2019-1 closing pool except for certain notable changes:

- The seasoning increased to approximately 14 months from approximately 10 months.

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- The percentage of loans with FICOs greater than 700 increased to 66.90% from 61.53%.
- The inclusion of a minimum FICO cutoff of 620. Approximately 4.00% of the 2019-3 pool was comprised of obligors with FICOs below 620.
- The percentage of loans with original terms of 76-84 months increased to 55.40% from 30.66%.
- The weighted average loan-to-value increased to approximately 102% from approximately 93%.
- The percentage of new vehicles decreased to 29.07% from 32.41%.

The statistical cutoff date is Feb. 28, 2023, and is presented in table 2. The final cutoff date for GTE 2023-1 will be March 31, 2023.

Table 2

Collateral Comparison

	GTE 2023-1	GART 2019-1
Receivables balance ($)	215,920,728	185,273,063
No. of receivables	10,117	9,430
Avg. loan balance outstanding ($)	21,342	23,071
Weighted avg. APR (%)	6.60	5.60
Weighted avg. original term (mos.)	77	74
Weighted avg. remaining term (mos.)	64	64
Weighted avg. seasoning (mos.)	14	10
Weighted avg. FICO score	730	726
Original term (%) more than 60 mos.	92.19	89.73
Original term (%) more than 75 mos.	55.40	30.77
Weighted avg. LTV(ii)	102.40	93.38
New vehicles (%)	29.07	32.41
Used vehicles (%)	70.93	67.59
Top three state concentrations (%)	FL=97.78	FL=98.10
	GA=0.38	GA=0.37
	NC=0.18	NC=0.18
Initial expected CNL (%)(i)	2.10	2.90-3.10
Revised expected CNL (%)	N/A	Up to 1.00%

(i)All percentages are of the initial receivables balance. (ii)LTV is defined as the amount financed divided by the manufacturer's suggested retail price. APR--Annual percentage rate. LTV--Loan-to-value ratio. CNL--Cumulative net loss. N/A--not applicable. NA--Not available.

We also compared the GTE 2023-1 collateral pool with other recent credit union peer transactions that have similar ECNLs. Overall, GTE is comparable to its credit union peers.

Table 3

Collateral Comparison(i)

	GTE 2023-1	OCCU 2022-1	UART 2021-1
Receivables balance (mil. $)	215.92	295.30	302.93

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Table 3

Collateral Comparison(i) (cont.)

	GTE 2023-1	OCCU 2022-1	UART 2021-1
No. of receivables	10,117	10,030	11,204
Avg. original loan balance ($)	21,342	29,868	35,952
Weighted avg. APR (%)	6.60	5.65	4.99
Weighted avg. original term (mos.)	77	77	82
Weighted avg. remaining term (mos.)	64	76	64
Weighted avg. seasoning (mos.)	14	2	18
Weighted avg. credit score	730	730	748
Percent of pool with original term more than 60 mos. (%)	92.19	89.51	98.14
Percent of pool with original term more than 72 mos.	76.52	66.60	88.03
Weighted avg. LTV(ii)	102.40	110.10	108.46
New vehicles (%)	29.07	30.10	55.04
Used vehicles (%)	70.93	69.90	44.96
Top three state concentrations (%)			
	FL=97.78	WA=46.55	NV=32.59
	GA=0.38	OR=45.58	KS=14.96
	NC=0.18	ID=4.30	CA=14.93
Initial expected CNL (%)(i)	2.10	2.25	2.75-3.00
Revised ECNL range (%)	N/A	N/A	1.50-2.00(iii)

(i)All percentages are of the initial receivables balance and reflect the statistical pool for each transaction. (ii)LTV is defined for new vehicles as the amount financed divided by the manufacturer's suggested retail price. For used vehicles, defined as the amount financed divided by National Automobile Dealers Assn. or Kelley Blue Book value. (iii)Revised March 2022. GTE--GTE Auto Receivables Trust. OART--OCCU Auto Receivables Trust. UART–-Unify Auto Receivables Trust. APR--Annual percentage rate. LTV--Loan-to-value ratio. CNL--Cumulative net loss. N/A--Not applicable.

The GTE 2023-1 pool has comparable collateral characteristics to its peers, in our view. Its weighted average FICO is in line with OCCU Auto Receivables Trust 2022-1 and its weighted average remaining term is in line with Unify Auto Receivables Trust 2021-1.

Macroeconomic And Auto Finance Sector Outlook

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

In our analysis, we considered the economic data and forecasts outlined in table 4, and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year with GDP averaging 0.7% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses

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will need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.4% in second quarter of 2024 and then decline in late 2025.

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

Table 4

U.S. Economic Factors

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

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

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to normalize to historical levels.

S&P Global Ratings' Expected Loss: 2.10%

We determined our expected loss for GTE 2023-1 by analyzing:

- The transaction's collateral characteristics relative to those of GART 2019-1 (see table 2);
- The managed portfolio performance and origination static pool data and their relative performances (see table 5); and
- The GART 2019-1 performance and compared with GTE's peers (see table 7 and charts 1 and 2).

Given GTE's limited securitization performance, we placed more emphasis on origination static pool analysis when determining the expected loss for this series. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section above). Overall, we expect GTE 2023-1 to experience lifetime CNLs of 2.10%, which is lower than our initial expected CNL of 3.00% for GART 2019-1.

Managed Portfolio

GTE is the receivables' originator, sponsor, and servicer. As of Dec. 30, 2022, GTE's serviced portfolio consisted of direct and indirect auto receivables totaling $1,156 million, a 36% year-over-year increase from the $849 million receivables outstanding as of Dec. 31, 2021. While total 30-plus day delinquencies increased to 1.36% as of Dec. 31, 2022, from 1.04% the year earlier, this is in line with 1.40% as of Dec. 31, 2019. Net charge-offs, as a percentage of the average principal balance outstanding, increased to 0.57% as of Dec. 31, 2023, from 0.55% a year earlier. As shown in table 5, GTE's portfolio has been exhibiting lower level of losses while 30-plus day delinquencies have started normalizing compared to pre-pandemic levels.

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Table 5

GTE's Managed Portfolio

	As of Dec. 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Outstanding receivables principal balance (thousands $)	1,152,363	849,500	790,254	623,942	786,792	650,846	569,857	547,000	485,142
Average receivables principal balance (thousands $)	1,007,076	811,514	700,101	729,650	701,659	626,651	549,581	524,182	437,006
31-60 day delinquencies (% of outstanding balance)	1.01	0.84	0.75	1.02	0.90	1.41	1.58	1.57	0.96
61-90 day delinquencies (% of outstanding balance)	0.20	0.10	0.16	0.23	0.12	0.30	0.34	0.40	0.35
90-plus-day delinquencies (% of outstanding balance	0.15	0.09	0.12	0.16	0.14	0.19	0.23	0.32	0.38
Total 30-plus-day delinquencies (% of outstanding balance)	1.36	1.04	1.02	1.40	1.16	1.91	2.16	2.29	1.68
Net charge-offs as % of the avg. receivables outstanding principal amount(i)	0.57	0.55	0.98	0.88	0.73	0.92	0.99	0.80	0.74

(i)Annualized.

GTE's origination characteristics, as shown in the table below, have generally shown an improving credit quality trend with higher weighted average FICO scores since 2015. Despite the trend in higher FICO characteristics, the lengthening loan terms combined with higher loan-to-value ratios and higher original balances also increases the credit risk profile.

Table 6

GTE Origination Characteristics

	As of Dec. 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Aggregate original principal balance (mil. $)	722,475.93	448,044.97	465,947.04	395,294.02	431,558.71	324,985.21	265,763.62	307,480.57	302,025.18
No. of receivables	20,572	14,329	16,600	14,805	16,539	13,431	11,510	14,155	14,388
Average original principal balance ($000s)	35.119	31.268	28.069	26.700	26.093	24.197	23.090	21.722	30.991
Weighted average original term (months)	78	77	76	75	73	71	71	70	70

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Table 6

GTE Origination Characteristics (cont.)

	As of Dec. 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Weighted average APR (%)	4.83	4.34	4.64	5.06	4.66	3.91	3.73	4.28	4.04
Weighted average FICO	747	736	743	745	748	743	727	702	707
New vehicles (%)	38.13	34.05	40.36	40.11	42.74	36.34	30.75	26.82	28.02
Used vehicles (%)	61.87	65.95	59.64	59.89	57.26	63.66	69.25	73.18	71.98
Weighted average LTV (%)	100	102	104	102	100	98	98	97	94

GTE's quarterly origination vintage CNL performance since 2012 shows losses trending higher in 2013-2015 but improving from 2016 onwards.

Origination Static Pool Analysis

Our analysis is based on approximately 10 years of origination static pool data based on aggregate and one-dimensional cohorts (FICO score, loan-to-value, original term, direct/indirect, and new/used) consistent with this pool of receivables. We used the issuer's historical loss curves to develop expected net loss projections for each outstanding cohort. We then weighted these projections based on the various cohort concentrations in the series 2023-1 pool.

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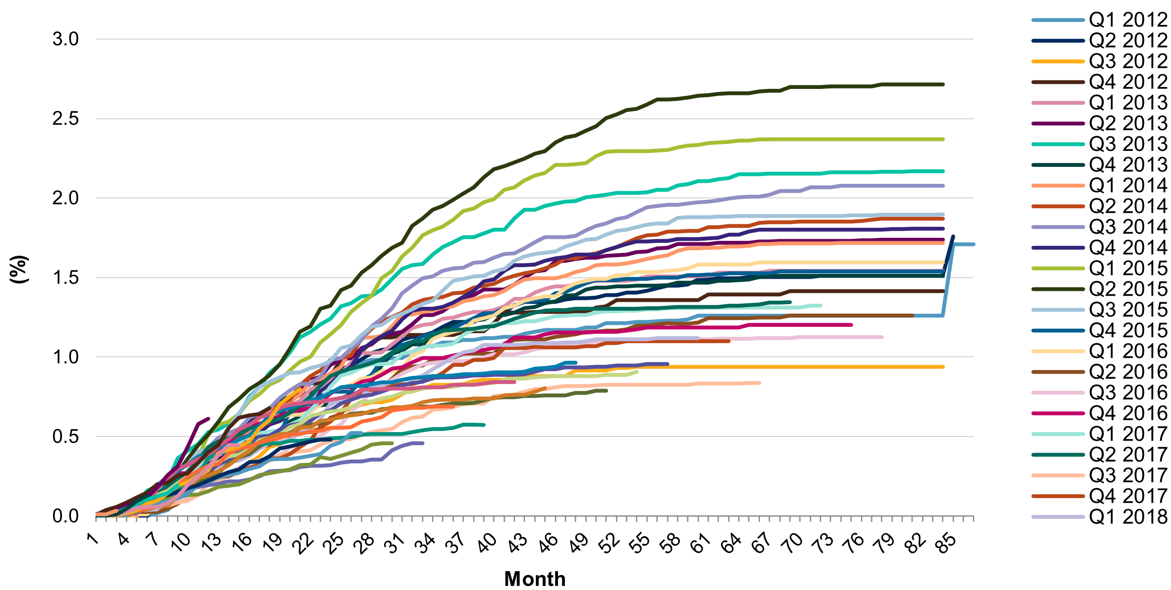
Chart 1

Quarterly Origination Vintages | Cumulative Net Loss Performance



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GART Transaction Performance

We currently maintain ratings on the GART 2019-1 transaction (see table 7), which is performing better than our initial expectation. In December 2022 we revised our lifetime CNL expectation and raised ratings on two classes of notes (see "GTE Auto Receivables 2019-1 Class B And C Ratings Raised," published Dec. 22, 2022).

We will continue to monitor the outstanding transactions' performance to assess whether the credit enhancement remains commensurate with our ratings.

Table 7

Collateral Performance

Performance data for outstanding GART transactions (as of the March 2023 distribution date)

Series	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquency (%)	Original lifetime expected CNL (%)	Revised lifetime expected CNL (%)(i)
2019-1	40	14.88	0.74	0.31	2.90-3.00	Up to 1.00

(i)Revised lifetime net losses in December 2022. (ii)Not rated by S&P Global Ratings. CNL--Cumulative net loss. N/A--Not applicable.

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Chart 2

GART 2019-1 | Cumulative Net Loss Performance

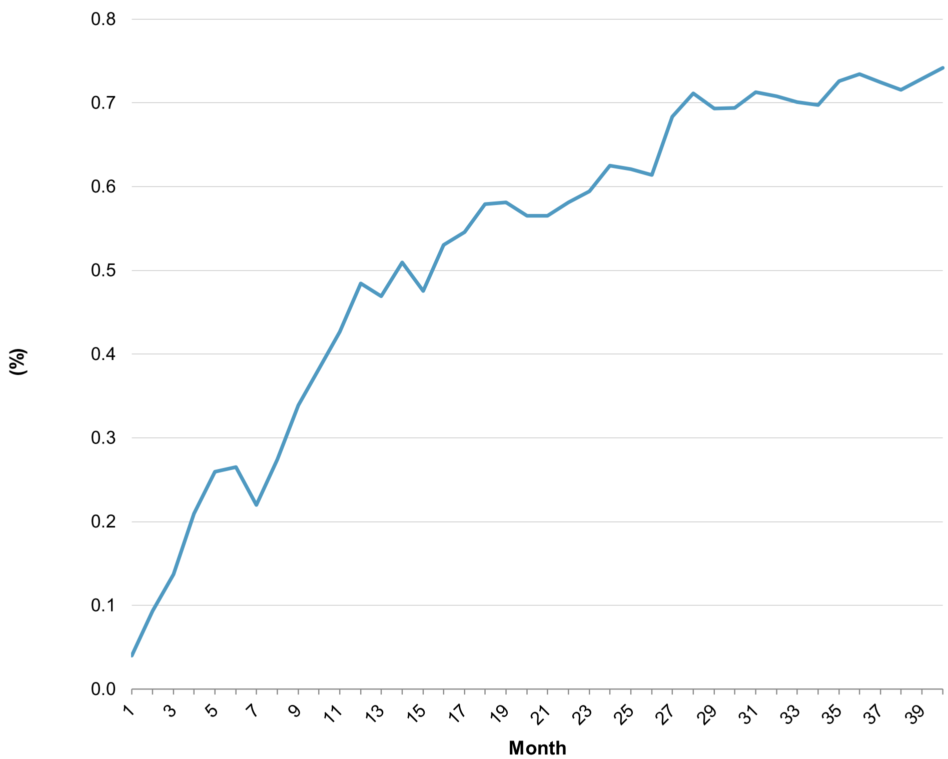

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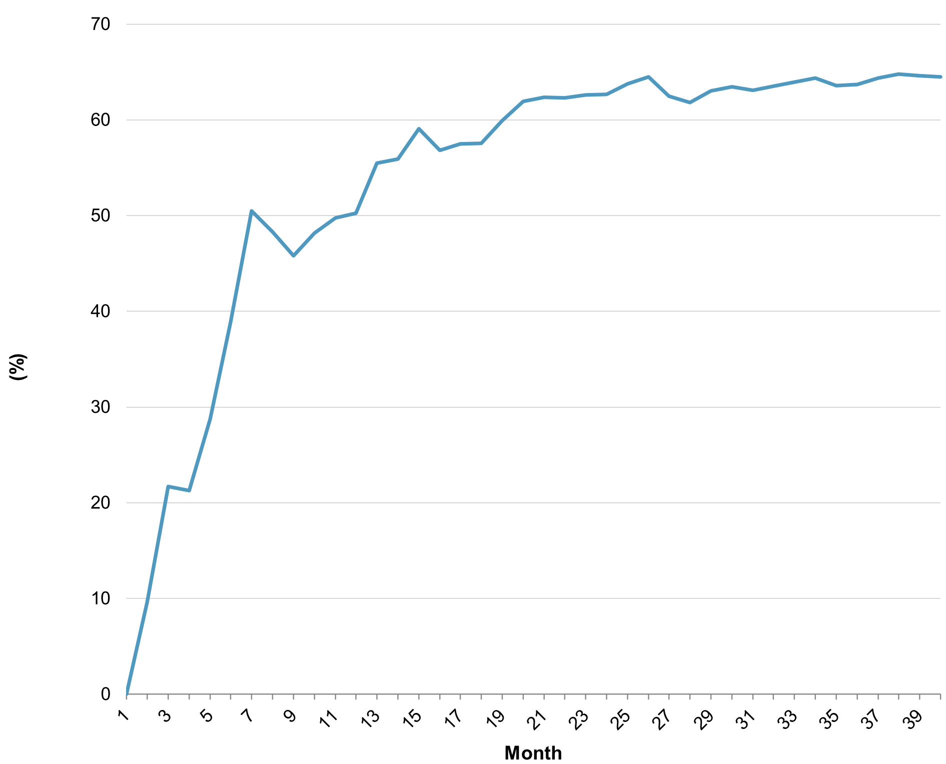
Chart 3

GART 2019-1 | Cumulative Recovery Rate Performance



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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 GTE 2023-1 transaction is structured as a sale of the receivables from GTE (the sponsor, originator, seller, administrator, and servicer) to GTE Auto Funding LLC (the depositor). The depositor will then transfer all of its interest in the receivables of GTE 2023-1, the issuing entity (the trust), which is a newly formed special-purpose Delaware statutory trust. GTE 2023-1 will then pledge its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 4).

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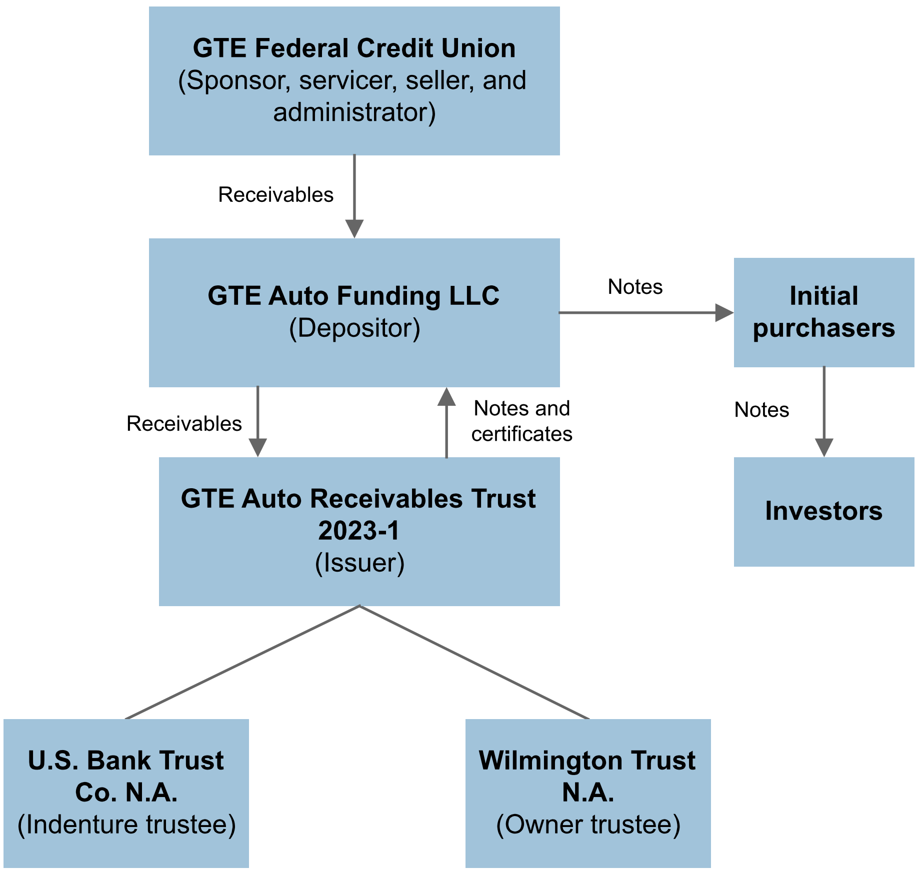
Chart 4

Transaction Diagram



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Transaction Structure

The GTE 2023-1 transaction incorporates the following structural features:

- A sequential-pay mechanism among the notes that will result in increased credit enhancement for the senior notes as the pool amortizes;
- Subordination of 8.5%, 5.0%, and 2.5% for the class A, B, and C notes, respectively;
- Initial overcollateralization of 0.50%, building to a target of 1.65% of the initial pool balance, which is also the overcollateralization floor; and
- A nonamortizing reserve fund that will equal 0.50% of the adjusted cutoff date pool balance.
- A YSOC sized so that the yield on contracts with annual percentage rates (APRs) less than the

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9.56% discount rate increases to the YSOC discount rate. The YSOC for each distribution date will be calculated at closing and will amortize according to a schedule. The final cutoff YSOC discount rate of 9.56% and schedule was used for our cash flow analysis.

Payment Structure

Distributions will be made from available collections according to the payment priority shown in see table 8.

Table 8

Payment Waterfall

Priority	Payment
1	Servicing fee of 1.00% per year.
2	If the backup servicer becomes the servicer, one time successor servicer fee of $100,000.
3	Indenture trustee, owner trustee, backup servicer, independent manager, successor administrator (if any), successor custodian (if any) and rating agency fees.
4	Expenses and indemnifications to the owner trustee, the backup servicer (acting as backup or successor servicer), and the indenture trustee capped at $150,000 annually.
5	Class A note interest to the class A noteholders, sequentially.
6	First priority principal distributable amount (if the class A notes' outstanding amount exceeds the adjusted pool balance), paid sequentially.
7	Class B note interest to the class B noteholders.
8	Second priority principal distributable amount (if the class A and B notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay item 2 above, paid sequentially.
9	Class C note interest to the class C noteholders.
10	Third priority principal distributable amount (if the class A, B, and C notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay item 2 above, paid sequentially.
11	Class D note interest to the class D noteholders.
12	Fourth priority principal distributable amount (if the class A, B, C, and D notes' outstanding amount exceeds the adjusted pool balance) minus any amount allocated to pay item 2 above, paid sequentially.
13	To the reserve account, any additional amounts required to restore it to its specified reserve account balance.
14	Principal, paid sequentially, to achieve the specified overcollateralization amount (the regular principal distributable amount).
15	To the owner trustee, indenture trustee, back up servicer, successor servicer (if any) and administrator, fees and expenses not previously paid.
16	Any remaining available funds to the certificateholders.

Events of default

The occurrence of any of the following events will constitute an event of default under the indenture:

- A default in the payment of interest due on any note of the controlling class that continues for five business days or more.
- A default in the payment of the principal of any note on its final scheduled payment date or

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redemption date.

- Any failure by the issuing entity to duly observe or perform any of its covenants or agreements or a breach of any of its representations or warranties, which failure or breach has a material adverse effect on the noteholders and which continues unremedied for a period of 60 days after notice.
- The occurrence of certain events (which, if involuntary, remain unstayed for a period of 60 consecutive days) of bankruptcy, insolvency, receivership, or liquidation of the issuing entity.

Payment distribution after an event of default

Following an event of default, the payment priorities will change. On each payment date after the notes have been accelerated following an event of default, the indenture trustee will distribute the available funds according to the payment priority shown in table 9.

Table 9

Payment Waterfall Following An Event of Default

Priority	Payment
1	To the servicer, the servicing fee for the related collection period and all accrued and unpaid servicing fees with respect to any prior collection periods;
2	On a pro rata basis, to the owner trustee, indenture trustee, the rating agencies and the backup servicer, any successor servicer, any successor administrator and any successor custodian, fees, expenses and indemnification amounts(uncapped).
3	Sequentially, class A interest.
4	Class A-1 principal until paid in full.
5	Class A-2 principal until paid in full.
6	Class A-3 principal until paid in full.
7	Class A-4 principal until paid in full.
8	Class B note interest.
9	Class B note principal until paid in full.
10	Class C note interest.
11	Class C note principal until paid in full.
12	Class D note interest.
13	Class D note principal until paid in full.
14	To the administrator, any administrator fee not previously paid.
15	Any remaining funds to the certificateholders.

Servicer default

Any of the following events will constitute a servicer default:

- The servicer's failure to deliver any required payment to the indenture trustee for deposit in the collection account or reserve account that remains remedied for five business days;
- The servicer's failure to observe or perform any covenants or agreements, other than the NCUA Rule Covenant, that materially and adversely affects the rights of the noteholders or certificateholders and continues unremedied for 90 days;

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- At any time when GTE is the servicer, the occurrence of a Servicer Net Worth Event (see below); or
- An occurrence of an insolvency event with respect to the servicer.

A Servicer Net Worth Event means, as of the last day of any calendar quarter, that the net worth of the servicer is less than 4% of the total assets of the servicer, each as represented in the quarterly call report provided to the NCUA by GTE.

If a servicer default occurs as a result of the occurrence of any of the first three items listed above, a majority vote by the noteholders of the controlling class may terminate the servicer's rights and obligations.

Cash Flow Modeling Assumptions And Results

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

In a stressed scenario, liquidity risk could arise due to interest shortfalls resulting from the yield on the loans being lower than the yield on the bonds (negative carry risk). This could occur because the bonds pay sequentially, leading to higher-coupon debt remaining outstanding at the tail end of the transaction. In this transaction, negative carry risk is being addressed through YSOC.

GTE 2023-1 has a high geographic concentration of its obligor base. Approximately 98% of the loans were originated in and around the Tampa, region. To account for the potential risk due to a much higher than typical geographic concentration in this pool, we applied slightly higher multiples than multiples of 5.0x, 4.0x, 3.0x and 2.0x, for the 'AAA', 'AA', 'A', and 'BBB' ratings, respectively.

The cashflow results shown in tables 10 and 11 and in charts 5 and 6 are reflective of the final cutoff pool as of March 31, 2023.

Break-even analysis

For the GTE 2023-1 transaction structure, we applied the assumptions outlined in table 10, under our a single-pool method, 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 (maximum net losses the class can withstand without defaulting) and generally expects it to be equal to or greater than the rating stressed scenario break-even requirement.

Based on our stressed cash flows, the break-even net loss results show that the class A, B, C, and D notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 11).

In addition to the single-pool method, we also applied a supplemental bifurcated-pool method, in which the under-water receivables or low APR loans prepay at a much slower rate than the above-water receivables (for cash flow purposes, we define "under-water receivables" as those with APRs of 5.00% or lower). By running low prepayments (0.25%) on the lower-APR receivables--causing these loans to amortize slower over time--and higher prepayments (1.50%)

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on the higher-APR receivables, the cash flows stressed the pool's yield and excess spread. Further, we applied a slower and faster curve for the under-water and above-water receivables, respectively, which increases the likelihood that the YSOC will be used for yield enhancement, rather than credit enhancement. Increasing the use of the YSOC for liquidity decreases the amount of the YSOC available to cover credit losses, thereby decreasing break-even levels.

Overall, under both the single-pool and supplemental bifurcated-pool method, the break-even net loss results show that the available credit support for the notes provide coverage appropriate for the assigned preliminary ratings.

Table 10

Break-even Cash Flow Assumptions

Voluntary ABS (%)	1.50
Servicing fee (%)	1
Recovery rate (%)	50
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24/36/48/60) (%)	
Front-loaded loss curve	30/55/75/90/100
Back-loaded loss curve	15/40/65/85/100

ABS--Absolute prepayment speed. Mos--Months.

Table 11

Cash Flow Assumptions And Results

	Class			
	A	B	C	D
Scenario (preliminary rating)	AAA (sf)	AA (sf)	A (sf)	BBB (sf)
Cumulative loss timing by months (12/24/36/48/60) (%)				
Front-loaded loss curve	36/29/18/11/6	35/28/19/11/7	35/28/19/11/7	35/28/19/11/7
Back-loaded loss curve	21/33/24/15/8	21/33/24/15/8	21/33/24/15/8	21/33/24/15/8
Voluntary ABS (%)	1.50	1.50	1.50	1.50
Recoveries (%)	50	50	50	50
Servicing fee (%)	1.00	1.00	1.00	1.00
Approximate break-even net loss levels (%)(i)				
Required Credit Enhancement:	10.82	8.93	7.35	5.78
Front-loaded loss curve	13.65	10.50	8.16	6.31
Back-loaded loss curve	13.84	10.56	8.28	6.38

(i)The maximum cumulative net losses on the pool that the transaction can withstand without triggering a payment default on the relevant class of notes.

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Sensitivity Analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions outlined in table 11. We believe that under a moderate ('BBB') stress scenario (2.00x of 2.10% expected loss level) and with 90.0% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021 (see table 12).

Table 12

Credit Stability As A Limiting Factor On Ratings

	Maximum projected deterioration associated with rating levels for one-year 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.

Chart 5

Sensitivity Analysis--Coverage Multiple
Front-loaded loss curve

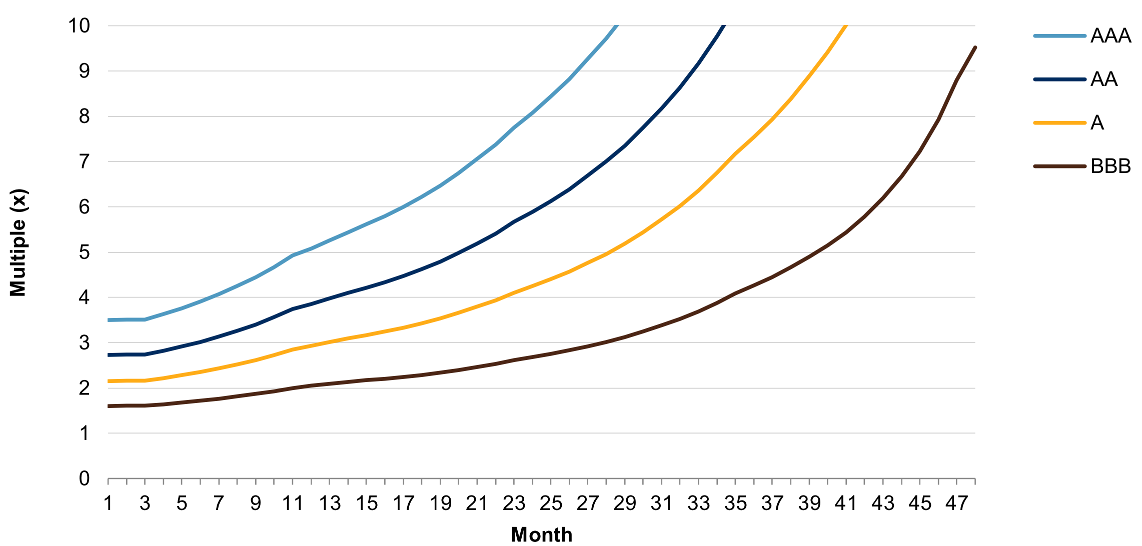

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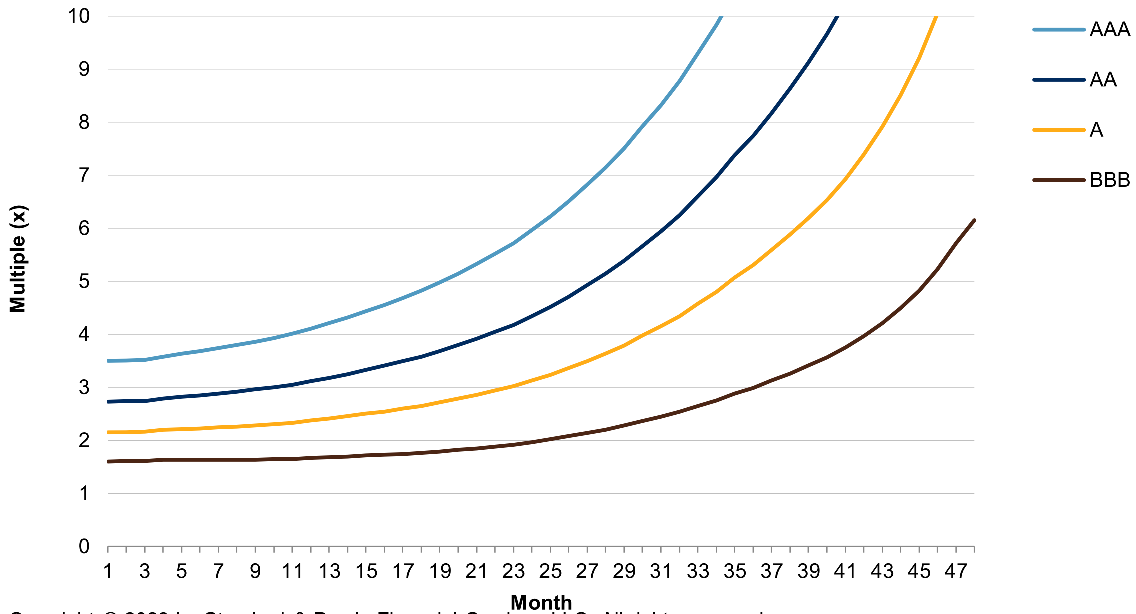
Chart 6

Sensitivity Analysis--Coverage Multiple
Back-loaded loss curve



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Money Market Tranche

The proposed money market tranche (class A-1) has a legal final maturity date of April 15, 2024. To test whether the money market tranche can be repaid by then, we ran cash flows using assumptions to delay the principal collections during the time period. We assumed zero defaults and a 0.25% absolute prepayment speed for our cash flow run. Based on our cash flow runs, 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 for the mezzanine tranches (i.e., classes A-2 through C), we determined the date on which the respective notes would fully amortize in a zero-loss, zero-prepayment scenario, then added three months to the result. For the longest-dated security (class D), we added 12 months to the tenor of the longest receivable in the pool to accommodate extensions on the receivables. Furthermore, in the break-even scenario for the rating level, we confirmed that there was sufficient credit enhancement both to cover losses and to repay the related notes in full by their legal final maturity date.

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Counterparty And Operational Risks

Bank account provider

On or before the closing date, the GTE 2023-1 bank accounts will be with U.S. Bank N.A. in the name of the issuing entity, as segregated accounts or 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).

Servicer

As servicer, GTE has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A back-up servicer, U.S. Bank N.A., is engaged for outstanding series. GTE is not rated by S&P Global Ratings and commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. Our operational risk assessment of GTE as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

GTE Federal Credit Union

GTE (doing business as GTE Financial) is an FCU regulated and insured by the NCUA. Originally incorporated as Peninsula Telephone Employees Federal Credit Union and granted Charter Number 196 by the NCUA in 1935, the company became GTE in 1958 and has been doing business as GTE Financial since 2012.

GTE provides a wide variety of deposit and lending services to its members who primarily reside in the Tampa region. As an FCU, GTE is a not-for-profit organization owned by its members. GTE is headquartered in Tampa with additional Florida locations in Brandon, Crystal River, Hudson, Lakeland, Lutz, St. Petersburg, Ocala, Clearwater, Plant City, Sarasota, Seffner, Seminole, South Tampa, and New Port Richey.

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

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Finance Securities: Methodology And Assumptions , Jan. 30, 2019

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions , Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts , May 31, 2012
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment , May 28, 2009

Related Research

- U.S. Auto Loan ABS Tracker: February 2023 Performance, April 11, 2023
- Credit Conditions North America Q2 2023: Coalescing Stress, March 28, 2023
- GTE Auto Receivables Trust 2019-1 Class B and C Ratings Raised, Dec. 22, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov. 28, 2022

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