Presale:

Elara HGV Timeshare Issuer 2021-A LLC

October 8, 2021

PRIMARY CREDIT ANALYST

Srabani C Chandra-Lal
New York
+ 1 (212) 438 5036
srabani.chandra-lal
@spglobal.com

SECONDARY CONTACTS

Jay Srivats
San Francisco
+ (347) 266-5103
jay.srivats
@spglobal.com

Jeremy White
Dallas
+ 1-214-871-1473
jeremy.white
@spglobal.com

ANALYTICAL MANAGER

Ildiko Szilank
New York
+ 1 (212) 438 2614
ildiko.szilank
@spglobal.com

Preliminary Ratings

Class	Preliminary rating	Preliminary amount (mil. $)	Subordination, reserve, and overcollateralization (%)
A	AAA (sf)	90.191	52.40
B	A (sf)	47.507	26.80
C	BBB (sf)	25.795	12.90
D	BB (sf)	16.887	3.80

Note: This presale report is based on information as of Oct. 8, 2021. 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	Oct. 21, 2021.
Final maturity date	Aug. 27, 2035.
Collateral	Vacation ownership interval (timeshare) loans.
Issuer	Elara HGV Timeshare Issuer 2021-A LLC.
Originator and performance guarantor	LV Tower 52 LLC.
Seller	LV Tower 52 Fin Co. LLC.
Depositor	Elara Depositor LLC.
Sales agent, remarketing agent, and servicer performance guarantor	Hilton Resorts Corp.
Servicer	Grand Vacations Services LLC.
Trustee, custodian, and backup servicer	Wells Fargo Bank N.A.
Joint bookrunners	BofA Securities Inc. and Deutsche Bank Securities Inc.
Structuring agent	BofA Securities Inc.

Rationale

The preliminary ratings assigned to Elara HGV Timeshare Issuer 2021-A LLC's $180.380 million vacation timeshare loan-backed notes series 2021-A reflect S&P Global Ratings' opinion of the credit enhancement available in the form of overcollateralization, a reserve account, available excess spread, and subordination. Our preliminary ratings also reflect our view of Grand Vacations Services LLC's servicing ability and experience in the timeshare market.

Although the travel sector has started showing signs of recovery, and while travel habits may eventually return to pre-pandemic levels, it will not happen with the same speed with which the industry shut down in March 2020 (see "U.S. Travel Industry's Recovery Is On Standby," published April 28, 2021). A modest recovery is likely to commence in the second half of 2021, and a full recovery may stretch until 2023. U.S. lodging is one of the hardest-hit sectors with unprecedented declines in revenue due to the containment measures to slow the spread of COVID-19. Within lodging, we believe the performance of timeshare loan securitizations will likely deteriorate due to travel restraints (including the government-mandated closure of resorts), the projected increase in unemployment, the resulting increase in bankruptcy filings, and the potential shift in consumer behavior, including payment priority on various loan obligations. This has put an enormous strain on global economic activity, which S&P Global Ratings expects will continue as long as there are bans and restrictions on travel. For more information, see "COVID-19 Containment Measures Put U.S. Timeshare Loan Payments To The Test," published April 2, 2020.

Given that we are in a recessionary period and to reflect the uncertain and weakened U.S. economic and sector outlook, we are increasing our base-case default assumption by 1.25x to stress defaults from 'B' to 'BB' rating scenarios. To reflect additional liquidity stress from deferrals and potential increase in delinquencies, we also considered incremental liquidity and sensitivity stress in addition to our rating stress in all rating categories (see detailed results of the stressed runs under the Cash Flow Assumptions And Sensitivity Analysis section).

Our preliminary ratings on the Elara HGV Timeshare Issuer 2021-A LLC timeshare loan-backed notes reflect that the transaction structure is able to pay timely interest and ultimate principal by legal maturity on all the notes under all of our stressed cash flow scenarios, as well as the recovery rate, liquidity, and credit stability sensitivity scenarios.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considered the potential exposure of the transaction to ESG credit factors. We have not identified any material ESG credit factors in our analysis. Therefore, there is no rating impact due to ESG considerations.

Business Description

LV Tower 52 LLC originated the loans in the initial pool and will originate those loans subsequently transferred during the prefunding period. The loans relate to and are secured by deeds of trust encumbering vacation ownership intervals (VOIs), a fee simple deeded ownership interest of an undivided interest in a residential unit at LV Tower 52 Vacation Suites. LV Tower 52 Vacation Suites is a vacation ownership resort operating as Elara, a Hilton Grand Vacation Club Resort located in Las Vegas.

Hilton Resorts Corp. (HRC), the sales agent and remarketing agent for this transaction, is a wholly owned subsidiary of Hilton Grand Vacations Inc., a Delaware corporation. LV Tower 52 LLC has appointed HRC as its agent for the purpose of marketing the VOIs, facilitating the closing of VOI sales, and assisting with the origination of loans. HRC will also serve as the remarketing agent for the purpose of remarketing VOIs acquired by the issuer with respect to defaulted loans.

HRC operates a sales center on the resort. HRC also maintains other timeshare sales centers in Honolulu, Oahu, and Waikoloa, Hawaii; Orlando, Fla.; Las Vegas; New York.; Myrtle Beach and Hilton Head Island, S.C.; Park City, Utah; Washington, D.C.; and internationally in Japan and Korea.

Owners have access to the Hilton Grand Vacations Club (HGVC). Obligors may use their ClubPoints, which are allotted to them based on the type of VOI they have purchased, to reserve accommodations at HGVC-branded timeshare resorts, and other club-partnered facilities, including Hilton Inc.-branded hotels. The VOIs are marketed to consumers that are primarily from HHonors members and frequent guests from more than 5,000 Hilton hotels globally.

Grand Vacations Services LLC (the servicer), a wholly owned subsidiary of HRC, provides loan servicing and collections services for both the timeshare receivables and the homeowners associations (HOAs) at each resort. Other HRC subsidiaries provide real estate, title services, property management, operations, and other services to the vacation ownership business.

Hilton Grand Vacations Management LLC, a wholly owned subsidiary of HRC, provides property management, operations, and HOA services for the Hilton Grand Vacations resorts, as well as for HRC's expanding fee-for-service business.

Timeshare Property Regimes

A VOI loan is typically an installment sale or mortgage loan with an original term generally ranging from seven to 10 years that is secured by a right to use the property or by a deeded interest, as applicable. Historically, timeshares were sold on a fixed-week, fixed-unit basis, which gives the timeshare owner the right to use a designated unit in a specified property for a defined time period each year in perpetuity. Since the early 1990s, some VOIs have been sold through a points program whereby purchasers buy points in a system that entitles them to use any of the properties within a developer's system, subject to availability, at any time during the year. While most fixed-week VOIs are exchangeable, the points system allows VOI owners greater flexibility because the owner can change when, where, and how long each timeshare vacation occurs. The loans in HRC's securitized portfolio are deeded timeshare interests with accompanying points in the Hilton Grand Vacations Club.

Underwriting And Collection Process

For the loans in this portfolio, as with all loans in the Hilton Grand Vacations portfolio, HRC prescreens prospective buyers in the early stages of the marketing and sales process. Like most other timeshare developers, HRC generally checks prospective obligors' credit scores and researches their credit histories for any bankruptcies. Purchasers who wish to finance must provide a minimum 10% down payment and meet other eligibility requirements, including a minimum age of 18 years, a credit report, and identity verification; they also cannot be in bankruptcy or be the subject of certain liens or judgments in the county where the timeshare property is located. Loan interest rates are based on FICO score, down payment, loan term, payment method, and whether they are an existing HRC owner, among other factors. HRC begins attempting to collect delinquent loans once the payment is six days past due until an account is delinquent beyond 120 days, at which time the account is assigned to its deed recovery team.

Deed recovery is either voluntary (a warranty deed in lieu of foreclosure) or involuntary through judicial or nonjudicial foreclosure utilizing outside counsel for bankruptcy and foreclosure proceedings.

Transaction Structure

This transaction is the fifth HRC serviced timeshare loan term securitization that S&P Global Ratings has rated and includes four classes of fixed-rate notes that will pay interest and principal monthly in a specified priority (see table 1).

Table 1

Payment Waterfall

Priority	Payment
1	Trustee fees and expenses (trustee fees are $1,500 per month, and indemnities and expenses capped at $25,000 per calendar year).
2	Backup servicer fees and expenses, including transition expenses related to a servicing transfer (expenses, other than transition expenses, capped at $25,000 per year and transition expenses capped at $200,000, cumulative total), custodian fees and indemnities (indemnities capped at $25,000 per year), and clearing account bank expenses and indemnities capped at $25,000 per year, pro rata.
3	Servicing fees including any remaining unpaid from the prior period.
4	Class A interest.
5	Class B interest.
6	Class C interest.
7	Class D interest.
8	Pro rata or sequential principal, depending on a sequential order event(i).
9	Extra principal distribution amount to noteholders, pro rata, assuming no sequential order event(i) and no rapid amortization.
10	The amount needed, if any, to achieve the reserve account requirement.
11	Class A, B, C, and D deferred interest amounts(ii), sequentially.
12	Any other amounts due to the trustee, custodian, backup servicer, and clearing bank account, pro rata.
13	Any remaining available funds free and clear of the indenture lien to the issuer.

(i)See the Credit Support section below for more information on the sequential order event. (ii)Deferred interest amounts are payments on the note balance excess over the aggregate loan balance, if any.

During the prefunding period from closing to March 31, 2022, the depositor may transfer to the issuer additional loans the seller sold to the depositor that meet certain applicable eligibility criteria, including:

- Each is an eligible loan.
- There was no adverse selection.
- The FICO score is not below 650.
- The weighted average current equity percentage is equal to greater than 10%.
- After these loans are purchased, the subsequently added loans in aggregate will have a 12.00% weighted average interest rate or higher, have a weighted average FICO equal to or greater than 725, no more than 0.50% are domestic obligors with no FICO score, and no more than 1.00% are

foreign obligors.

At closing, approximately $36.08 million will be deposited in the prefunding account to purchase additional loans. The maximum subsequent loan balance is approximately $37.11 million.

Force Majeure Deferral/Non-Force Majeure Deferral

Per the transaction documents, the servicer will be permitted to modify, waive, amend, or defer the terms of a timeshare loan, up to a maximum cap of 5% of the aggregate closing date collateral balance, in connection with a force majeure deferral. A force majeure event is defined as a natural disaster, act of war or terrorism, epidemic or pandemic (including COVID-19), or other circumstance beyond the reasonable control of the servicer. The timeshare loans that are a part of this deferral bucket will not be included in the delinquency or default calculations during such time. The reserve account required balance would include the amount of interest that would have been due on such timeshare loans had they not entered into a force majeure deferral. The servicer will fund the reserve upon execution of a deferral, and any shortfall will be replenished through the waterfall with available collections.

In addition, the servicer is permitted to modify, waive, amend, or defer the terms of any timeshare loan (other than a force majeure deferral) up to 5% of the aggregate closing date collateral balance, as long as it does so in accordance with its credit and collection policies (non-force majeure modification).

Collateral

The pool's loans must satisfy various eligibility criteria, including:

- A minimum of one payment must be made before the cut-off date;
- Payments must be made in U.S. dollars;
- The original balance is less than or equal to $200,000.
- The original term is equal to or less than 120 months.
- If the obligor has a FICO score, it is not lower than 550.
- The current equity percentage is at least 10%.
- No adverse selection procedures were utilized.
- No loan was defaulted or delinquent for more than 30 days.

We compared this transaction's pool characteristics with those of several recent transactions (see tables 2A and 2B).

Table 2A

Statistical Portfolio Characteristics

	Elara 2021-A (i)	Elara 2019-A	Elara 2017-A	Elara 2016-A	Elara 2014-A
Aggregate loan balance ($)	148,461,908.59	151,596,195.60	131,568,379.98	138,948,194	113,856,650
No. of loans	6,979	6,617	5,309	6,644	6,546

Table 2A

Statistical Portfolio Characteristics (cont.)

	Elara 2021-A (i)	Elara 2019-A	Elara 2017-A	Elara 2016-A	Elara 2014-A
Range of loan balances ($)	36-183,368	46-181,147	42-191,551	53-121,795	153-114,214
Avg. loan balance ($)	21,272.66	22,910.11	24,782.14	20,913	17,393
Range of coupon rates (%)	6.00-20.99	7-19.50	6.00-19.00	7.00-18.50	6.00-18.50
Weighted avg. coupon rate (%)	13.32	13.19	13.05	12.71	13.39
Range of original terms (mos.)	60-120	60-120	60-120	60-120	60-120
Weighted avg. original term (mos.)	120	120	120	120	119
Range of remaining terms (mos.)	1-119	1-115	1-119	1-119	1-119
Weighted avg. remaining term (mos.)	98	107	111	109	107
Range of seasoning (mos.)	1-119	5-119	1-119	1-119	1-119
Weighted avg. seasoning (mos.)	21	13	9	11	12
Range of FICO scores	551-844	550-775+	550-842	600-870	600-853
Weighted avg. FICO score	741	740	731	740	743
Weighted avg. current equity (%)	27.11	22.13	20.75	19.94	13.38
Foreign/U.S. (%)	0.56/99.44	0.67/99.33	1.45/98.55	0.00/100.0	2.20/97.8
Closing date	10/21/2021	8/14/2019	10/24/2017	6/29/2016	10/30/2016

(i)Statistical pool as of the Aug. 31, 2021, statistical cutoff date. Elara 2021--Elara HGV Timeshare Issuer 2021-A. Elara 2019-A--Elara HGV Timeshare Issuer 2019-A LLC. Elara 2017-A--Elara HGV Timeshare Issuer 2017-A LLC. Elara 2016-A--Elara HGV Timeshare Issuer 2016-A LLC. Elara 2014-A--Elara HGV Timeshare Issuer 2014-A LLC. Hilton--Hilton Grand Vacations Trust.

Table 2B

Statistical Portfolio Characteristics

	Elara 2021-A(i)	MVW 2021-1W	Diamond 2021-1	Sierra 2021-1	BXG 2020-A	HINTT 2020-A	Sierra 2020-2	MVW 2020-1	Hilton 2020-A	Hilton 201
Aggregate loan balance ($)	148,461,908.59	318,623,958.83	254,633,365.00	306,124,757.00	138,917,834.94	223,982,588.44	444,445,118.00	387,938,276.11	315,002,349.15	283,568,69
No. of loans	6,979	12,391	9,305	13,056	10,191	12,914	21,207	15,121	10,062	10
Range of loan balances ($)	36-183,368	1,013-296,259	1004-149408	501-99884	1001-128905	2,505-323,100	519-98,749	1,017-325,057	203- 248,561	50-248
Avg. loan balance ($)	21,272.66	25,714.14	27,365.00	23,447.00	13,631.00	17,344.17	20,957.00	25,655.60	31,306.14	28,29

Table 2B

Statistical Portfolio Characteristics (cont.)

	Elara 2021-A(i)	MVW 2021-1W	Diamond 2021-1	Sierra 2021-1	BXG 2020-A	HINTT 2020-A	Sierra 2020-2	MVW 2020-1	Hilton 2020-A	Hilton 201
Range of coupon rates (%)	6.00-20.99	6.00-21.90	6.00-23.99	6.00-18.49	6.00-17.99	0.00-18.00	6.00-18.49	6.84-16.49	3.90-19.50	6.50-1
Weighted avg. coupon rate (%)	13.32	13.45	15.50	14.60	14.46	15.10	14.60	13.10	12.44	
Range of original terms (mos.)	60-120	36-180	120-120	12-180	36-120	12-180	24-180	36-240	12-180	60-
Weighted avg. original term (mos.)	120	144	120	120	120	124	121	136	122	
Range of remaining terms (mos.)	1-119	4-180	2-119	1-178	10-119	2-180	1-180	4-179	2-179	1-
Weighted avg. remaining term (mos.)	98	134	106	108	105	109	107	128	110	
Range of seasoning (mos.)	1-119	0-174	1-118	0-150	1-110	0-114	0-142	1-230	1-129	1-
Weighted avg. seasoning (mos.)	21	10	14	12	14	15	14	8	12	
Range of current FICO scores	551-844	550-842	550-844	600-818	572-844	600-850	600-818	550-842	600-800	600-
Weighted avg. current FICO score	741	719	736	730	726	734	727	735	750	
Weighted avg. equity (%)	27	23	29	37	25	19	36	22	27	
Foreign/U.S. (%)	0.60/99.40	2.89/97.11	0.60/99.40	0.50/99.50	0.50/99.50	4.39/95.61	0.11/99.89	6.05/93.95	12.38/87.62	15.2/
Closing date	10/21/2021	5/20/2021	4/21/2021	3/21/2021	10/1/2020	9/1/2020	8/13/2020	7/23/2020	6/10/2020	8/13/2

(i)As of Aug. 31, 2021, cutoff date; does not include prefunding bucket. Elara 2021-A--Elara HGV Timeshare Issuer 2021-A LLC. MVW 2021-1W--MVW Owner Trust. Diamond Resorts 2021-1--Diamond Resorts Owne Timeshare 2021-1 Receivables Funding LLC. BXG 2020-A--BXG Receivables Note Trust 2020-A. HINTT 2020-A—Holiday Inn Timeshare Trust 2020-A. Sierra 2020-2--Sierra Timeshare 2020-2 Receivables Funding Worldwide 2020-1. Hilton 2020-A--Hilton Grand Vacations Trust 2020-A. Hilton 2019-A--Hilton Grand Vacations Trust 2019-A. Elara 2019-A--Elara HGV Timeshare Issuer 2019-A LLC. Welk 2019-A--Welk Resorts 2

S&P Global Ratings' Expected Cumulative Default Assumptions: Domestic Only – 18.9%; Total Pool (Includes Foreign) – 18.9%

Because HRC applies the same underwriting guidelines and collection practices to the loans in this pool as it does for the rest of the HRC-serviced portfolio, and because the historical data related to loans that LV Tower 52 LLC originated only go back to September 2012, we used static pool data representing VOIs deeded to HRC's Las Vegas resorts only as a proxy to project loss performance for the loans in this transaction, similar to the approach we applied in rating the prior Elara timeshare transactions.

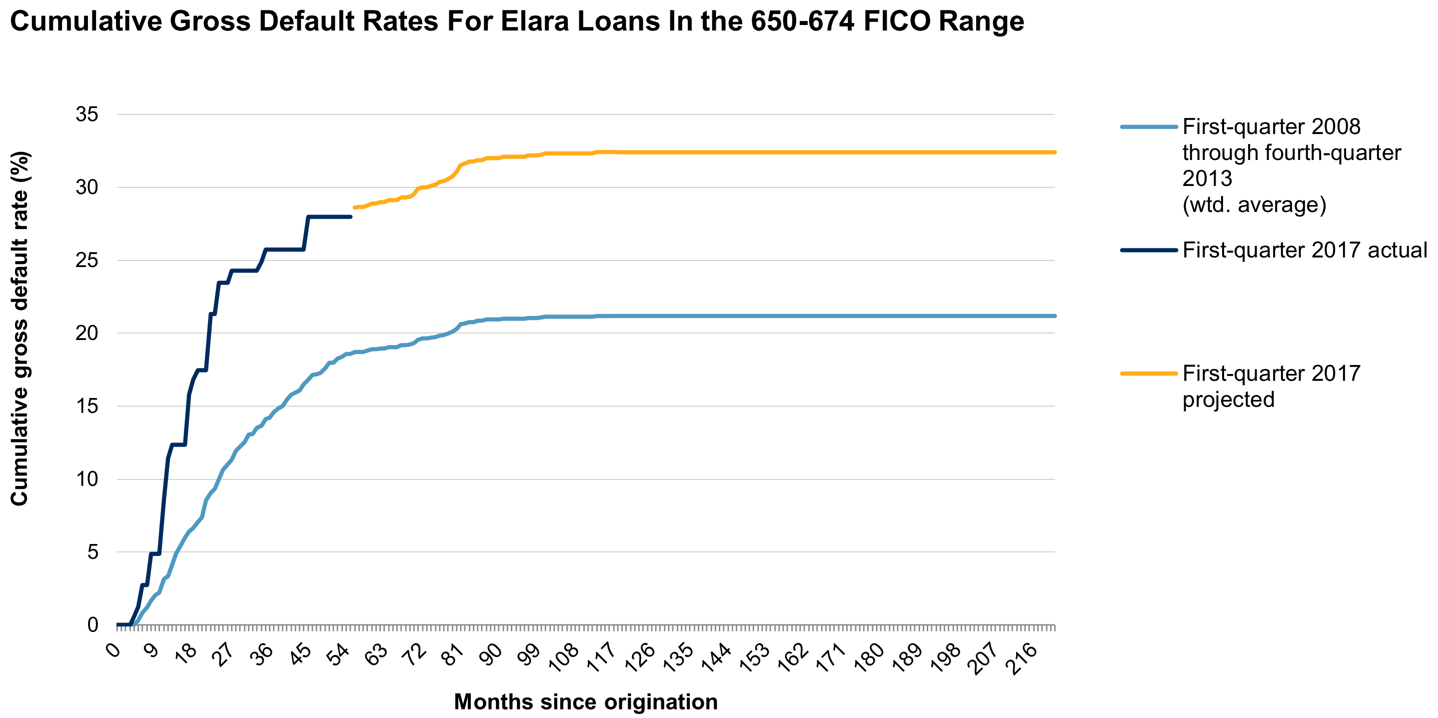
To derive the base-case gross default rate for the series 2021-A transaction, we examined the historical gross default performance of HGV Las Vegas static loan pools throughout multiple business cycles from 2008 through first-quarter 2014 on both the aggregate and subpool levels. We broke down the data by the following FICO score categories (based on the origination year for those years in which performance data by FICO score is available):

- 550-574;
- 575-599;
- 600-624;
- 625-649;
- 650-674;
- 675-699;
- 700-724;
- 725-749;
- 750-774;
- 775 and higher;
- U.S. no FICO;
- foreign;
- Foreign Japan; and
- Foreign non-Japan.

HRC's first-quarter 2008 through fourth-quarter 2013 vintages had less than approximately 5.0% of their original aggregate loan balances outstanding. We used the loan balance data from these vintages to construct an aggregate default timing curve and a default curve for each FICO score category. Then we estimated the expected defaults for each FICO score category subpool for first quarter 2014 through the first-quarter 2020 static pool vintages using the actual cumulative default data to date and the applicable default timing curve to form an expected default rate assumption for the pool.

For example, we reviewed the actual cumulative gross default rate for the HRC loans that were originated from first-quarter 2008 through fourth-quarter 2013 to borrowers with FICO scores in the 650-674 range and the actual cumulative default rate to date for the loans that were originated in first-quarter 2014 to borrowers in the same FICO score range (the first-quarter 2014 650-674 FICO category; see chart 1). Assuming the cumulative defaults of the loans originated in first-quarter 2014in the 650-674 FICO category follow a similar timing pattern to those from the average pools in first-quarter 2008 through fourth-quarter 2013 in the 650-674 FICO category, our expected gross default rate for the first-quarter 650-674 FICO category is approximately 32.4% (see chart 1).

Chart 1



We repeated the aforementioned process for each quarterly FICO vintage in the first-quarter 2008 through first-quarter 2020 static pool vintages to derive an expected cumulative gross default rate for each FICO category.

We applied a 1.25x multiple to the resulting expected cumulative gross default rate to reflect our view of the current stressed environment. The 1.25x multiple effectively increases our base case or 'B' loss assumptions to a 'BB' stress. We applied seasoning credit to the resulting cumulative gross default numbers based on the collateral pool's seasoning. We typically assume the expected default rate decreases as loans mature past 24 months.

Based on this analysis and the loan pool's credit score distribution, we expect the pool to experience an 18.9% cumulative domestic gross default rate as a base case.

Stressed Expected Gross Default Assumptions ('AAA', 'A', 'BBB', And 'BB'): 64.4%, 43.2%, 36.5% And 29.0%

We applied a multiple of 3.60x to arrive at a gross default rate as high as 64.4% under a 'AAA' scenario after giving credit to the seasoning in the collateral pool, a multiple of 2.3x to arrive at 43.2% under a 'A' scenario, a multiple of 2.0x to arrive at 36.5% under a 'BBB' scenario, and a multiple of 1.6x to arrive at 29.0% under a 'BB' scenario.

Approximately 0.56% of the statistical pool is related to loans made to foreign obligors. To address the risk of exposures in foreign countries, we considered the sovereign rating and transfer and convertibility (T&C) assessment of the foreign obligor's domicile when the rating on the notes exceeds the associated rating and T&C assessment. As an additional consideration to our analysis, we applied the stress based on our "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published Aug. 8, 2016.

In the series 2021-A transaction, we believe that, depending on the default timing and voluntary prepayment rate assumptions, the cumulative gross default rate that the notes would be able to withstand ranges from 54.50%-57.76% under 'AAA' stresses, 38.85%-42.74% under 'A' stresses, and 29.06%-33.22% under 'BBB' stresses. We determined these rates after considering that the transaction has to pay full and timely interest and ultimate principal payments on the rated notes (see the Cash Flow Assumptions And Sensitivity Analysis section below for the different scenarios we reviewed). In our analysis, we did not assume any recovery on the loans. If the cumulative default percentage rises higher than the assumed stressed expected gross default assumption, or if the loans' prepayment rate or the timing of their default is different than what we have assumed in our analysis, the series 2019-A notes may experience an interest or principal payment default.

Credit Support

Credit support for the notes is provided by:

- Subordination of 48.6% for the class A notes, 23.0% for the class B notes, and 9.10% for the class C notes;
- The initial 2.80% overcollateralization, target overcollateralization equal to 4% of current collateral balance, and minimum overcollateralization of 1.00%;
- A reserve account with an initial funded balance equal to 1.00% of the initial collateral balance;
- A force majeure deferral reserve;
- The excess spread, which initially may be approximately 10.18% per year; and
- Performance-based triggers that, if breached, would cause the class A, B, C, and D note principal to be paid sequentially or all available funds to be allocated to pay down the debt. The sequential principal payments may occur if there is a sequential order event, which includes if the average default rate for the previous three months exceeds 0.575% for the first 12 months or 1.15% thereafter, the overcollateralization amount drops below its required amount for two consecutive periods, if average recoveries over three payment periods fall below 25.0%, or the cumulative default rate exceeds 17.5%. All available funds may be allocated to pay down the debt if there is a rapid amortization event, which occurs when the average of the delinquency ratio for the previous three months exceeds 4.5%, the average default rate for the previous three months exceeds 0.5% for the first months or 1% thereafter, or if a servicer default occurs.

Cash Flow Assumptions And Sensitivity Analysis

According to our criteria for rating timeshare loan securitizations, we ran various cash flow scenarios to determine the appropriate preliminary ratings for the series 2021-A notes, given the transaction's credit enhancement, and to test the transaction's sensitivity to changes in default timing and different voluntary prepayment assumptions. Our expected gross default assumption and default timing patterns are applied in aggregate to the collateral pool. Our methodology distributes defaults among the collateral in order to match our aggregated gross default assumptions and default timing patterns as closely as possible. Depending on how the collateral pool is represented, some collateral groups may experience higher or lower defaults depending on their seasoning.

Table 3

Gross Default Timing Curves For Cash Flow Modeling (%)

Year	A	B	C	D	E	F	G	H	I	S1	S2
1	13.00	50.00	50.00	50.00	50.00	45.00	40.00	40.00	10.00	15.82	33.45
2	47.00	25.00	25.00	5.00	50.00	30.00	30.00	25.00	15.00	21.92	25.04
3	22.00	15.00	25.00	5.00	0.00	3.13	15.00	15.00	15.00	20.74	15.87
4	10.00	10.00	0.00	5.00	0.00	3.13	2.16	2.86	20.00	15.30	10.74
5	5.00	0.00	0.00	5.00	0.00	3.13	2.14	2.86	20.00	11.26	7.61
6	1.00	0.00	0.00	5.00	0.00	3.13	2.14	2.86	10.00	6.40	5.14
7	0.60	0.00	0.00	5.00	0.00	3.12	2.14	2.86	10.00	4.83	1.50
8	0.70	0.00	0.00	5.00	0.00	3.12	2.14	2.86	0.00	2.62	0.55
9	0.30	0.00	0.00	5.00	0.00	3.12	2.14	2.85	0.00	0.78	0.10
10	0.40	0.00	0.00	10.00	0.00	3.12	2.14	2.85	0.00	0.32	0.00

Break-even gross defaults

We also determined what we believe to be the break-even gross default levels for each scenario (see table 4). All of the scenarios we ran under a 10% constant prepayment rate voluntary prepayment assumption have a break-even default level that is above 64.4%, 43.2%, 36.5% and 29.0% (the 'AAA', 'A', 'BBB' and 'BB' default assumptions, respectively).

Table 4

Break-Even Gross Default Assuming 10% CPR

Number	Pattern	Class A (%)	Class B (%)	Class C (%)	Class D (%)
1	A	68.7	49.3	38.4	30.9
2	B	67.7	48.4	37.5	29.7
3	C	67.5	48.1	37.3	29.6
4	D	68.3	49.5	38.6	31.5
5	E	67.0	47.7	36.9	29.3
6	F	68.2	49.2	38.3	30.8
7	G	68.2	49.1	38.2	30.6
8	H	68.3	49.3	38.4	31.0
9	I	61.6	50.6	40.1	33.1
10	S1	68.7	50.2	39.2	32.2
11	S2	68.6	49.3	38.3	30.8

Under each of the simulated default scenarios and prepayment assumptions, the cash flow modeling exercise suggests that noteholders will be paid timely interest and ultimate principal even if the series 2021-A loan pool's cumulative defaults increase to the levels listed in table 4.

Recovery Rate Trigger

Similar to series 2016-A, 2017-A, and 2019-A, the series 2021-A transaction includes a recovery rate trigger in the payment waterfall. Like in series 2019-A, a breach would trigger a sequential order event. Under our current default timing assumptions and cash flow modeling, we typically assume zero recovery for defaulted timeshare loans. In our view, timeshare loan recovery levels and timing are subject to several variables, such as whether the developer has an active sales channel to remarket the defaulted loans and developer discretion with respect to the resale timing.

When modeling the recovery rate trigger, we believe the break-even default levels may be inflated because we assume zero recoveries; therefore, the recovery rate trigger test will fail immediately, and the transaction will begin to turbo payments to the rated notes. Thus, a transaction with this trigger should withstand higher default stress scenarios than one without the trigger. Furthermore, transactions structured with this type of trigger may have classes that appear marginally weaker than those without the trigger (or that are excluded from the cash flow modeling) under our current default timing assumptions and cash flow modeling.

In addition to our customary default stress scenarios, we ran other stress scenarios and sensitivity analyses. In April 2011, we introduced additional default timing patterns to address the effect of this trigger type. For timeshare securitization transactions that include a recovery ratio trigger, we examine additional sensitivity patterns to determine if the full and timely interest and principal payments to the noteholders would be affected.

To simulate a scenario in which there is a period of time before the onset of a representative rating-level stress environment, we developed a revised set of default patterns that delay the stress by one year (delayed onset). In year one, we modeled base-case defaults derived by taking the product of the base-case cumulative gross loss assumption on the collateral pool and the year-one defaults under the developer-specific loss curve (see curve S2 in table 3 above) and adjusted for the stressed expected gross default assumption for that class. During the first 12 months only, we modeled recoveries at a level slightly above that which would breach the recovery rate trigger.

In multi-class transactions, we observed that the proportion of stressed defaults allocated to year one for the classes increases as we examined classes further down in the capital structure. This suggests that these structures should be able to withstand a greater proportion of losses at the higher rating levels once the stresses begin after the first year.

In addition, we modeled the transaction without the recovery rate trigger.

Consistent with previous transactions in determining the applicable rating, we looked at the maximum break-even for each default pattern under both the delayed onset scenario and the no recovery rate trigger scenario. Depending on qualitative factors, including the collateral characteristics, among others, for some collateral pools we may not require a transaction to pass all default patterns under the sensitivity at a given rating level.

Under these stress assumptions and sensitivity scenarios that, in our opinion, are commensurate with the assigned preliminary ratings, we expect the series 2021-A transaction's cash flows to be sufficient to pay full and timely interest and ultimate principal on the notes. We believe that the aforementioned additional sensitivity analysis that we performed on the series 2021-A notes is sufficient to address the recovery trigger's effect on the cash flow results.

We compared this transaction's credit and cash flow characteristics with those of several recent transactions, including base-case cumulative gross default assumptions (see table 5), the observed cushion for the break-even gross default levels over the stressed expected gross default assumptions for each rating level (see table 6), and the observed cushion for the break-even gross default levels in our sensitivity runs pertaining to the recovery rate trigger over the stressed expected gross default assumptions for each rating level (see table 7).

Table 5

Base Case Default Assumptions And Advance Rates

	Elara 2021-A	MVW 2021-1W	Diamond 2021-1	Sierra 2021-1	BXG 2020-A	HINTT 2020-A	Sierra 2020-2	MVW 2020-1	Hilton 2020-A	MVW 2019-2	MVW 2019-1	Elara 2019-A	Hilton 2019-A	Welk 2019-A
Base case default assumption (%)	18.90	18.50	25.10	24.90	26.80	29.50	25.20	13.90	13.00	10.40	8.95	11.40	8.90	15.40
Advance rate (%)														
AAA	64.40	57.90	39.50	34.20	32.60	31.40	27.00	62.20	56.10	73.50	76.15	51.30	70.75	53.50
AA+														
AA													87.25	
A+										90.80				
A	43.20	42.20	64.00	61.80		55.10	57.30	80.90	75.90		90.70	36.60		70.50
A-					64.80								98.50	
BBB+										98.00	98.00			93.50
BBB	36.60	35.70	83.30	86.90		76.10	79.80	92.40	90.50			26.90		98.50
BBB-														
BB	29.00	28.80	94.00	98.00		85.90	90.00	98.00						
BB-														
B						99.00								

In table 6, we indicate the range in which each average of the observed cushions for the break-even gross default levels in each default timing curve over the stressed expected gross default assumptions for each rating level, as well as the minimum observed cushions. For example, the average cushion over the stressed expected gross default assumption at the 'AAA' level is between 2.00% and 4.99% for the series 2021-A class A notes.

Table 6

Standard Default Patterns: Average/Minimum Cushion

	Elara 2021-A	Elara 2019-A	Elara 2017-A	Elara 2014-A
Class A				
Greater than 5.00%				
2.00%-4.99%	Avg.	Avg./Min.	Avg.	Avg./Min.
1.00%-1.99%			Min.	
0.10%-0.99%				
Less than 0.10%	Min.		Min.	
Class B				
Greater than 5.00%	Avg.			Avg.

Table 6

Standard Default Patterns: Average/Minimum Cushion (cont.)

	Elara 2021-A	Elara 2019-A	Elara 2017-A	Elara 2014-A
2.00%-4.99%	Min.	Avg./Min.	Avg./Min.	Min.
1.00%-1.99%				
0.10%-0.99%				
Less than 0.10%				
Class C				
Greater than 5.00%				
2.00%-4.99%		Avg./Min.	Avg./Min.	
1.00%-1.99%	Avg.			
0.10%-0.99%	Min.			
Less than 0.10%				
Class D				
Greater than 5.00%				
2.00%-4.99%				
1.00%-1.99%	Avg.			
0.10%-0.99%	Min.			
Less than 0.10%				

Elara 2021-A--Elara 2021-A LLC. Elara 2019-A--Elara 2019-A LLC. Elara 2017-A--Elara 2017-A LLC. Elara 2014-A--Elara 2014-A LLC.

We reviewed the maximum break-even as sensitivity for each default pattern under both the delayed onset scenario and the no recovery rate trigger scenario. In table 7, we indicate the range in which we observed the average and the minimum observed cushions of the maximum break-even for each of these two sensitivity scenarios for the two most-senior classes. For example, for the series 2021-A transaction's class A notes, the average and minimum cushions for the maximum break-even sensitivity default levels over its stressed expected gross default assumption at the 'AAA' level are under 0.10%.

Table 7

Recovery Rate Trigger Sensitivity: Average/Minimum Cushion

	Elara 2021-A	Hilton 2020-A	Elara 2019-A	BRE Grand Islander 2019-A	Hilton 2018-A	Elara 2017-A	BRE 2017-A	Hilton 2017-A
Class A								
Greater than 5.00%		Avg./Min.			Avg.			Avg.
2.00%-4.99%			Avg.		Min.		Avg.	Min.
1.00%-1.99%						Avg.		
0.10%-0.99%				Avg.				
Less than 0.10%	Avg./Min.		Min.	Min.		Min.	Min.	

Table 7

Recovery Rate Trigger Sensitivity: Average/Minimum Cushion (cont.)

	Elara 2021-A	Hilton 2020-A	Elara 2019-A	BRE Grand Islander 2019-A	Hilton 2018-A	Elara 2017-A	BRE 2017-A	Hilton 2017-A
Class B								
Greater than 5.00%		Avg./Min.						
2.00%-4.99%			Avg.			Avg.		Avg./Min.
1.00%-1.99%	Avg.				Avg.		Avg.	
0.10%-0.99%				Avg.		Min.	Min.	
Less than 0.10%	Min.		Min.	Min.	Min.			
Class C								
Greater than 5.00%								
2.00%-4.99%		Avg.	Avg.			Avg.		Avg./Min.
1.00%-1.99%					Avg.		Avg.	
0.10%-0.99%		Min.				Min	Min.	
Less than 0.10%	Avg./Min.		Min.		Min.			
Class D								
Greater than 5.00%								
2.00%-4.99%								
1.00%-1.99%								
0.10%-0.99%								
Less than 0.10%	Avg./Min.							

Elara 2021-A--Elara 2021-A LLC.

Legal Review And Structure

On the closing date the issuer will acquire LV Tower 52 LLC-originated loans from the depositor (Elara Depositor LLC) purchased from LV Tower 52 Fin Co. LLC (the seller). The loans are secured by a deed of trust encumbering a VOI. A VOI in this instance is an ownership interest in a residential unit at the resort. The VOI owner is a tenant in common with all other owners of undivided interests in such units, together with the nonexclusive use rights related to ownership.

The issuer will pledge the portfolio of loans it acquires from the depositor to the indenture trustee. The portfolio serves as the collateral for the notes issued in this transaction. The issuer will fund the purchase from the depositor using the proceeds from the notes. In turn, the depositor will use the proceeds to purchase the loans from the seller. All the transactions described above are expected to occur simultaneously at closing.

The depositor is a wholly owned subsidiary of the seller and is intended to be structured as a bankruptcy-remote, special-purpose entity (SPE) according to S&P Global Ratings' criteria. The issuer is also intended to be structured as an SPE according to our criteria. In rating this transaction, we will review the legal matters that we believe are relevant to our analysis, as outlined in our criteria.

Related Criteria

- 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 | 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
- Criteria | Structured Finance | ABS: Rating Criteria For U.S. Timeshare Loan Securitizations, Oct. 8, 2003

Related Research

- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016