S&P Global
Ratings

Research

Presale:

Drive Auto Receivables Trust 2024-1

February 7, 2024

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Amount (mil. $)(i)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	164.00	Feb. 18, 2025
A-2	AAA (sf)	Senior	Fixed	394.44	Dec. 15, 2026
A-3	AAA (sf)	Senior	Fixed	175.00	Feb. 15, 2028
B	AA (sf)	Subordinate	Fixed	165.09	Jan. 16, 2029
C	A (sf)	Subordinate	Fixed	200.40	Nov. 17, 2031

Note: This presale report is based on information as of Feb. 7, 2024. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The interest rates and the actual size of the tranches will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Originator, sponsor, servicer, and administrator	Santander Consumer USA Inc., a subsidiary of Santander Holdings USA Inc. (BBB+/Stable/A-2).
Depositor	Santander Drive Auto Receivables LLC.
Issuer	Drive Auto Receivables Trust 2024-1.
Indenture trustee and bank account provider	Wilmington Trust N.A. (A/Negative/A-1).
Owner trustee	Citibank N.A. (A+/Stable/A-1).

Rationale

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

- The availability of approximately 59.9%, 53.1%, and 44.4% credit support (hard credit enhancement and haircut to excess spread) for the class A (A-1, A-2, and A-3), B, and C notes, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 2.70x, 2.40x, and 2.00x coverage of our 22.00% expected cumulative net loss (ECNL) for

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the class A, B, and C notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (1.50x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', and 'A (sf)' ratings on the class A, B, and C notes, respectively, are within our credit stability limits (see 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 subprime automobile loans securitized in this transaction, 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).
- Our operational risk assessment of Santander Consumer USA Inc. (SC) as servicer and our views of the company's underwriting practices.
- The series' bank accounts at Wilmington Trust N.A., which do not constrain the preliminary ratings.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are relatively in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for DRIVE 2024-1 is 22.00%, which is higher than the 21.00% for DRIVE 2021-2, the last DRIVE transaction rated by S&P Global Ratings. It reflects:

- Our view that the series 2024-1 collateral characteristics are weaker than those for series 2021-2, with higher loan balances, higher loan-to-value (LTV) ratio, lower weighted average loan funded score (LFS; formerly known as the loss forecasting score), and higher concentration in the lower range of the LFS.
- Recent origination vintages, the performance of which are showing some degradation, although the outstanding series rated by S&P Global Ratings are performing better than we expected.
- Our forward-looking view of the auto finance sector, including our outlook for persistent recession and slower economic growth.

Environmental, Social, And Governance Factors

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

The transaction's environmental credit factors are in line with our sector benchmark. Exposure to environmental credit factors is generally viewed as above average, given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could, in time, lower ICE vehicle values, we believe our current approach to evaluating recovery and residual values adequately accounts for vehicle values over the transaction's relatively short expected life. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

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

Credit Enhancement And Collateral

Structural changes from series 2021-2

- There is one fewer class in 2024-1 (no class D).
- Initial hard credit enhancement increased for classes A, B, and C to 56.35%, 46.30%, and 34.10% from 53.10%, 41.90%, and 30.10%, respectively (see table 1).
- Subordination for classes A and B decreased to 22.25% and 12.20%, respectively, from 35.80% and 24.60%, due in part to having no class D in the series.
- Overcollateralization increased to 33.10% (from 16.30%) of the initial collateral pool balance and will grow to 42.35% (from 24.00%) of the current collateral pool balance plus 3.50% of the initial collateral pool balance. The increase is in part substituting for the subordination provided by the class D in prior series.
- The reserve of 1.00% of the initial collateral pool balance remains unchanged.
- The estimated excess spread decreased to 10.10% (pre-pricing) from 13.40% (post-pricing), mostly due to a higher weighted average cost of debt.

The increase in initial hard credit enhancement for all classes reflects higher ECNL and lower indicative excess spread (see table 1). Our stressed cash flow analysis indicates that the notes are credit enhanced to the degree appropriate for the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

Credit enhancement summary (%)

	Drive Auto Receivables Trust					
	2024-1	2021-3 (not rated)	2021-2	2021-1	2020-2	2020-1
Subordination(i)						
Class A(ii)	22.25	33.75	35.80	36.10	28.65	35.05
Class B	12.20	23.75	24.60	25.80	18.00	25.55
Class C	N/A	12.75	12.80	11.35	7.90	12.00
Overcollateralization						
Initial(i)	33.10	16.25	16.30	17.35	25.85	18.65

Table 1

Credit enhancement summary (%) (cont.)

	Drive Auto Receivables Trust					
	2024-1	2021-3 (not rated)	2021-2	2021-1	2020-2	2020-1
Target(iii)	42.35 + 3.50	23.00 + 3.50	24.00 + 3.50	25.15 + 3.50	32.40 + 3.75	24.45 + 3.50
Floor(i)	3.50	3.0	3.50	3.50	3.75	3.50
Reserve(i)						
Initial	1.00	1.00	1.00	1.00	2.00	1.00
Target	1.00	1.00	1.00	1.00	2.00	1.00
Floor	1.00	1.00	1.00	1.00	2.00	1.00
Total initial hard credit enhancement(i)						
Class A(ii)	56.35	51.00	53.10	54.45	56.50	54.70
Class B	46.30	41.00	41.90	44.15	45.85	45.20
Class C	34.10	30.00	30.10	29.70	35.75	31.65
Class D	N/A	17.25	17.30	18.35	27.85	19.65
Estimated annual excess spread(iv)	10.10	12.67	13.40	14.24	13.59	13.05

(i)Percentage of the initial collateral pool balance. (ii)Class A represents classes A-1, A-2, and A-3, collectively. (iii)Percentage of the current collateral pool balance plus percentage of the initial collateral balance. (iv)Includes a 4.00% servicing fee and is pre-pricing for series 2024-1 and post-pricing for other series. N/A--Not applicable.

Collateral changes from series 2021-2

The significant collateral changes in the DRIVE 2024-1's collateral pool(as of the Jan. 31, 2024 cutoff date) from DRIVE 2021-2's closing collateral pool include that:

- The percentage of loans with an LFS below 450 increased to approximately 39.0% from 21.3% and the overall weighted average LFS decreased to 476 from 491.
- The weighted average original loan balance increased to $27,089 from $22,800.
- The weighted average non-zero FICO score increased to approximately 586 from 575.
- The weighted average LTV ratio increased to 113.1% from 107.5%.
- The percentage of loans with original terms of 61-72 months decreased to 76.3% from 83.6%, while the percentage of loans with an original term of 73-75 months increased to 17.9% from 8.8%.
- The weighted average seasoning increased to 6.5 months from 5.5 months.

We believe the DRIVE 2024-1 collateral pool is weaker than that of DRIVE 2021-2 (see table 2). We have also observed deteriorated performance trends in recent origination vintages. We have factored this into our expected loss for DRIVE 2024-1 (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison(i)

	Drive Auto Receivables Trust					
	2024-1	2021-3 (not rated)	2021-2	2021-1	2020-2	2020-1
Pool size (mil. $)	1,642.64	1,524.38	2,150.54	1,934.85	1,271.51	1,298.94
Avg. original principal balance ($)	27,089	23,941	22,800	20,886	20,246	19,958
Weighted avg. APR (%)	19.84	18.29	18.29	19.02	18.98	18.96
Weighted avg. original term (mos.)	72	71	71	71	71	71
Seasoning (mos.)	6.5	3.5	5.5	4.5	3.5	2.8
New vehicles (%)	31.69	19.09	23.10	27.69	29.00	33.06
Used vehicles (%)	68.31	80.91	76.90	72.31	71.00	66.94
Weighted avg. LTV ratio (%)	113.14	109.64	107.51	111.54	110.55	111.84
Weighted avg. original FICO score(ii)	586	575	575	582	583	582
No score	9.93	13.57	15.12	15.24	15.27	15.09
500 or lower	5.06	6.27	8.92	5.10	5.91	5.21
501-600	49.03	53.91	47.84	50.00	49.16	50.60
601 or higher	35.98	26.24	28.12	29.66	29.66	29.09
Weighted avg. LFS(iii)	476	492	491	493	493	491
400 or lower	4.86	5.26	3.96	4.09	3.40	4.98
401-450	34.13	16.13	17.35	16.93	16.25	18.18
451-500	33.64	36.28	37.55	36.30	38.87	37.32
501-550	16.55	26.94	26.66	26.79	26.15	25.53
551 or higher	10.82	15.39	14.47	15.88	15.33	14.00
Total % of loans with an original term of 61-72 mos.	76.28	82.06	83.57	81.91	80.73	81.96
Total % of loans with an original term for 73-75 mos.	17.88	9.80	8.81	10.25	11.73	10.60
Weighted avg. original FICO score for 73-75 mos.	593	577	587	581	596	588
Weighted avg. LFS for 73-75 mos.	485	493	492	489	497	489
Weighted avg. LTV ratio for 73-75 mos. (%)	107.15	102.2	101.3	100.01	99.76	100.20
Top five state concentrations (%)						
	TX=21.17	TX=18.32	TX=18.19	TX=17.21	TX=18.26	TX=17.57
	FL=12.76	FL=12.45	FL=12.44	FL=11.29	FL=10.54	FL=11.39
	CA=8.19	CA=6.29	CA=6.88	CA=8.51	CA=8.36	CA=7.49
	GA=4.75	PA=5.98	PA=6.01	GA=6.38	GA=5.82	GA=6.26

Table 2

Collateral comparison(i) (cont.)

	Drive Auto Receivables Trust					
	2024-1	2021-3 (not rated)	2021-2	2021-1	2020-2	2020-1
	NC=4.53	GA=5.14	GA=5.11	NY=4.18	NC=3.76	NC=4.36

(i)All percentages are of the initial gross receivables balance. (ii)Excludes receivables of obligors with no FICO scores. (iii)Santander Consumer USA Inc. uses a proprietary internal loan funded score to underwrite and originate collateral. The internal score incorporates, among other factors, deal structure variables, such as cash down payment and LTV, payment-to-income, and debt-to-income ratios. The score ranges from 1 to 999, with a score of 1 indicating a greater likelihood of loss and a score of 999 indicating lower likelihood of loss. APR--Annual percentage rate. LTV--Loan-to-value. LFS--Loan funded score.

Macroeconomic And Auto Finance Sector Outlook

In our analysis, we considered the economic data and forecasts outlined in table 3 and their baseline effect on collateral credit quality in determining our base-case expected loss level. Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecast GDP growth of 2.4% because the market's resilience will be tested going forward, as real interest rates stay relatively high in the coming year and the lags of tightened monetary policy feed through the economy. Other reasons for caution include: real disposable income has declined four months in a row, with the savings rate falling to a very low 3.4% in September (well below the pre-COVID-19 pandemic average) from the 5.1% average in the second quarter of 2023; consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and student loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023, with an average payment of approximately $300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed, which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down 6.1% from a year ago, a decline whose magnitude has in the past been a harbinger of a recession.

Table 3

U.S. economic factors (%)

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.4	1.5	1.4	1.8
Unemployment rate (% annual average)	3.6	3.7	4.3	4.6	4.5
Consumer Price Index (% annual average)	8.0	4.1	2.4	2.1	2.1

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

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: 22.00%

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

- The managed portfolio's performance (see table 4) and origination static pool data and their relative performances;
- The series 2024-1's collateral characteristics relative to those of other outstanding DRIVE series (see table 2);
- The outstanding series' performances, with greater emphasis on recent performance (see table 5 and charts 1-3); and
- Our forward-looking view of the economy and the auto finance sector.

We placed more emphasis on recent origination static pool analysis, and outstanding series performance 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).

Overall, we expect DRIVE 2024-1 to experience lifetime CNLs of 22.00%, up from 21.00% for DRIVE 2021-2.

Managed portfolio

As of Sept. 30, 2023, SC's managed portfolio totaled approximately $29.07 billion, representing a roughly 2.94% decline year over year. The portfolio includes SC's total subprime auto loan portfolio, including contracts securitized under both the SDART and DRIVE platforms, which may understate delinquencies and losses associated with DRIVE-only type loans. Annualized net losses increased to 5.43% as of Sept. 30, 2023, compared with 4.41% a year earlier. Total delinquencies increased to 15.92% from 13.58% a year before.

Table 4

Managed portfolio

	As of Sept. 30		As of Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Principal amount outstanding at end of period (mil. $)	29,071	29,951	29,389	29,294	27,865	26,243	26,004
Delinquencies							
31-60 days (%)	9.89	8.26	9.34	7.55	6.34	10.22	10.95
61-90 days (%)	4.36	3.72	4.33	2.98	2.47	4.10	4.43
90-plus days and bankrupt accounts (%)	1.67	1.60	1.85	1.29	1.12	1.73	1.94
Total 31-plus days (% of the principal amount outstanding)(i)	15.92	13.58	15.52	11.82	9.94	16.05	17.31
Net loss experience							
Average principal amount outstanding during the period (mil. $)	29,157	29,485	29,506	28,962	27,129	26,246	25,261
Annualized net losses (% of the average principal outstanding)	5.43	4.41	5.15	2.63	5.43	8.98	9.32

(i)The servicer considers a receivable delinquent when an obligor fails to pay the required minimum portion of the scheduled payment by the due date, according to Santander Consumer USA Inc.'s customary servicing practices in effect at the time the obligor made the scheduled payment.

Origination static pool analysis

SC's static pool loss performance data generally reflect the loan and obligor characteristics of the securitized pool. We analyzed performance data on the origination static pools in aggregate, as well as by cohorts; e.g., original term buckets (less than or equal to 60 months, 61-72 months, and 73-75 months), new/used, LFS, and original term stratified further by LFS consistent with this series' pool.

We used the 2009-2015 yearly vintages paid-off loss curves to project losses for the outstanding vintages. We then applied DRIVE 2024-1's collateral concentration to these loss proxies. Overall, the loss projections have deteriorated mainly due to the weaker performance of the recent origination vintages.

This analysis was supplemented with an analysis of securitization performance, which, unlike the vintage static pool data, benefits from favorable pool representations, including that none of the loans are more than 30 days delinquent at the time of the cut-off date and all loans will have made their first two payments or SC will buy them back.

DRIVE transaction performance

We currently have outstanding ratings on four DRIVE transactions, all of which are performing better than our expectations (see "Three Ratings Raised And Six Affirmed From Six Drive Auto Receivables Trust Transactions," published Sept. 11, 2023, table 5, and charts 1-3). The transactions' performances are also influenced by SC's practice of repurchasing contracts from its securitized collateral pools that have not made their first two payments, based on the representation included in the transactions' documents.

Table 5

DRIVE collateral performance and CNL expectations(i)

Series	Current month	Pool factor (%)	Current CNL (%)	Original lifetime CNL expectations (%)	Revised lifetime CNL expectations (%)(ii)
2020-1	48	11.80	8.37	24.25-25.25	9.00
2020-2	43	13.93	6.00	28.00-29.00	8.00
2021-1	33	22.35	7.27	22.50-23.50	10.00
2021-2	29	28.26	9.39	20.50-21.50	13.50
2021-3 (not rated)	26	34.02	10.90	N/A	N/A

(i)As of the January 2024 distribution date. (ii)Revised as of Sept. 11, 2023. DRIVE—Drive Auto Receivables Trust. CNL--Cumulative net loss. N/A--Not applicable.

Chart 1

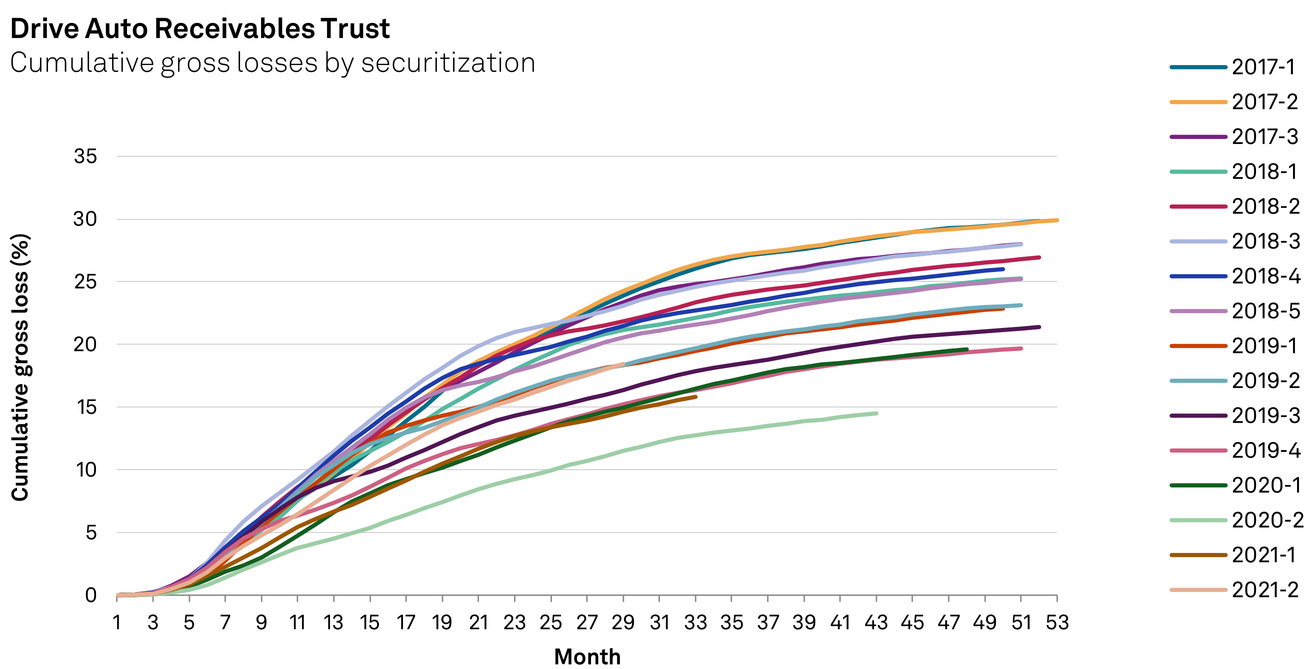
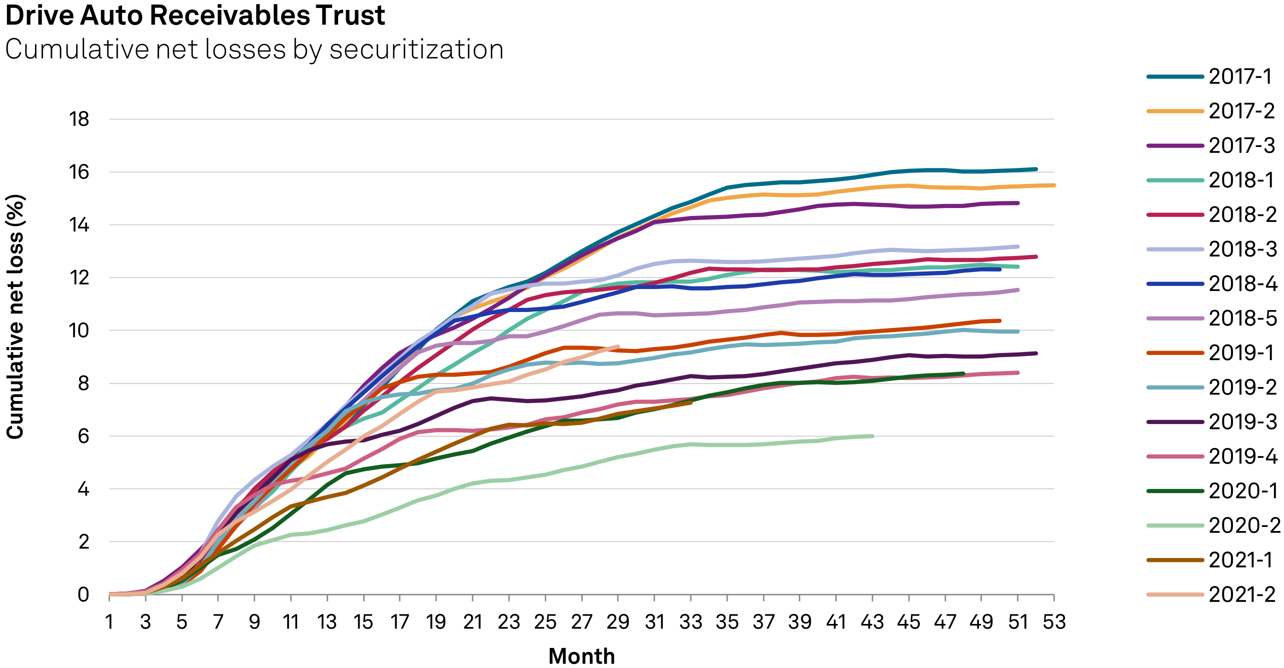


Chart 2


Drive Auto Receivables Trust
Cumulative net losses by securitization
Cumulative net loss (%)
0
2
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18
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Month
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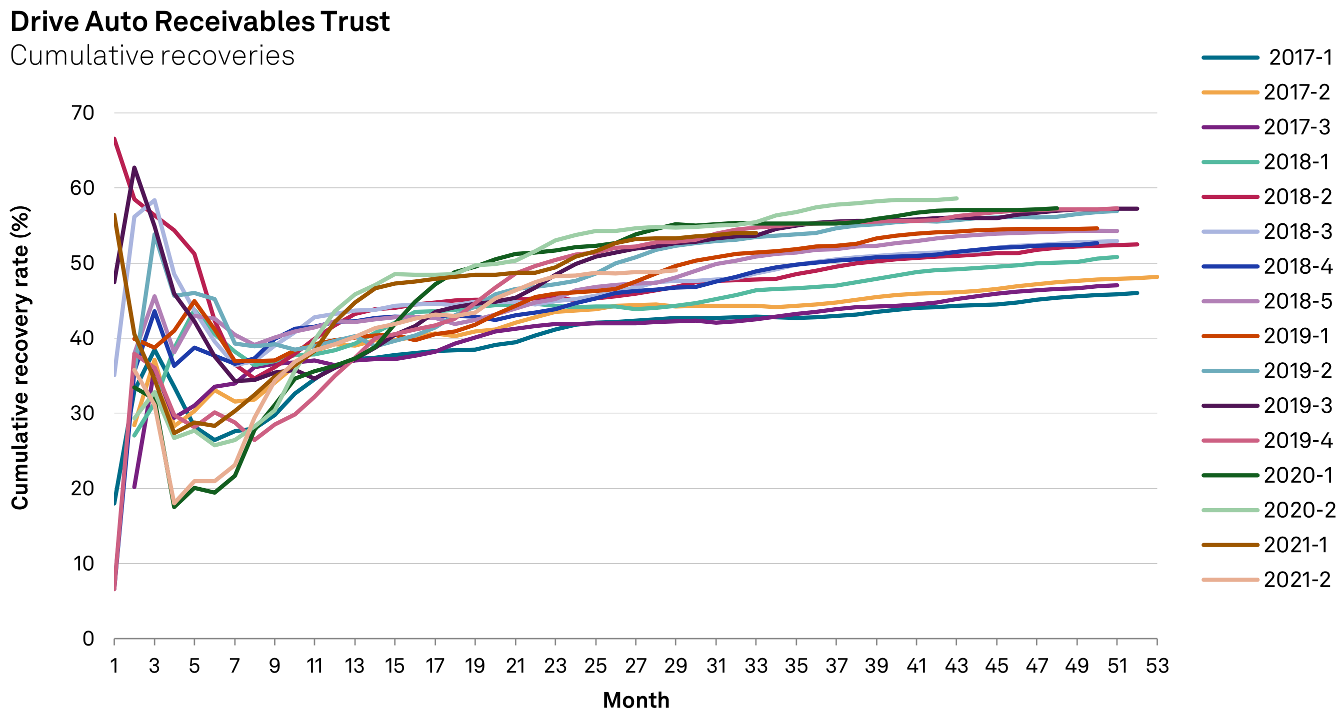
Chart 3



Legal Overview And Transaction Structure

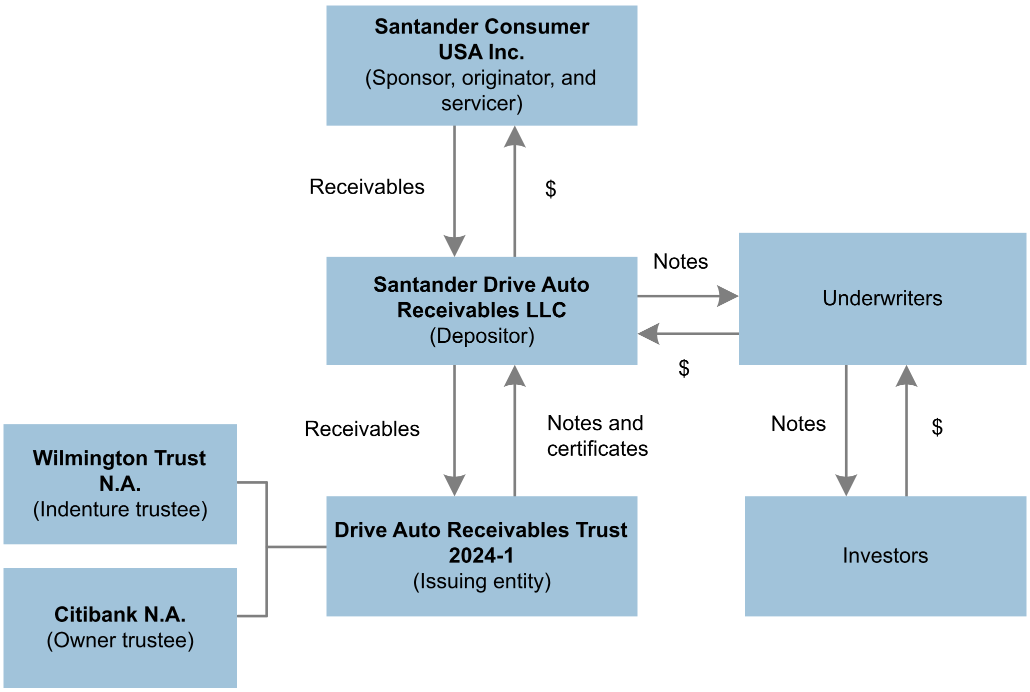
Legal overview

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

The transaction is structured as a true sale of the receivables to Santander Drive Auto Receivables LLC (the depositor) from SC (the originator, sponsor, and servicer) and then to DRIVE 2024-1 (the issuer), which has pledged its interest in the receivables to the indenture trustee on the noteholders' behalf (see chart 4).

Chart 4

Transaction structure



Transaction structure

DRIVE 2024-1 incorporates the following structural features:

- A senior-subordinated, sequential-pay structure in which the senior-most notes outstanding are paid first.
- Initial overcollateralization of 33.10% of the initial collateral pool balance that will build to a target of 42.35% of the current collateral pool balance plus 3.50% of the initial collateral pool balance. The target overcollateralization amount is subject to a floor of 3.50% of the initial collateral pool balance.
- A non-amortizing reserve account that will equal 1.00% of the initial collateral pool balance and will be fully funded at closing.
- Excess spread of approximately 10.10% (pre-pricing) per year.
- An optional clean-up call of 10% of the initial pool balance.

Payment Priority

Payment distributions before an event of default

Before an event of default, distributions will be made from available funds according to the payment priority in table 6.

Table 6

Payment waterfall

Priority	Payment
1	To the indenture and owner trustees, and the asset representations reviewer, any accrued and unpaid fees and any reasonable expenses not previously paid by the servicer, at a $300,000 cap per year, in aggregate.
2	To the servicer, the servicing fee (4.0%) and all unpaid servicing fees from previous periods.
3	To the class A noteholders, the accrued class A note interest due for the related interest period (paid pro rata).
4	The first principal allocation (the excess, if any, of the class A note balance over the pool balance).
5	To the class B noteholders, the accrued class B note interest due for the related interest period.
6	The second principal allocation (the excess, if any, of the combined class A and B note balances over the pool balance minus the first principal allocation).
7	To the class C noteholders, the accrued class C note interest due for the related interest period.
8	The third principal allocation (the excess, if any, of the combined class A, B, and C note balances over the pool balance minus the first and second principal allocations).
9	To the reserve account, any additional amounts required to make the cash on deposit in the reserve account equal to the specified reserve account balance.
10	The regular principal allocation, if any (in this step, the notes are paid down to build to the overcollateralization target).
11	To the indenture trustee, the owner trustee, the Delaware trustee, and the asset representations reviewer, for unpaid fees, indemnities, and expenses
12	To the certificateholders, any funds remaining.

Events of default

Under the indenture, the occurrence and continuation of certain events constitute an event of default:

- A default in the interest payment on any of the controlling class's notes when due and payable that continues for five or more business days.
- A default on the principal payment on any note on the final scheduled payment or redemption date.
- The issuer fails to duly observe or perform its covenants or agreements.
- Any of the issuer's representations or warranties made under the indenture proves incorrect.
- The issuer files for bankruptcy.

Payment distribution after an event of default

On each payment date after an event of default occurs, available funds will be distributed in the priority shown in table 7.

Table 7

Payment priority after an event of default

Priority	Payment
1	Any accrued and unpaid fees to the indenture and owner trustees and the asset representations reviewer.
2	The servicing fee (4.0%) and all unpaid servicing fees to the servicer.
3	Interest, pro rata, to the class A noteholders.
4	If an acceleration of the notes occurs after, or as a result of, the event of default detailed in the first, second, or fifth bullet in the Events Of Default section above, pay in the following priority: principal to the class A-1 noteholders until the notes are paid in full; then principal to the class A-2 and A-3 noteholders, pro rata, based on each class's note balance until all class A notes are paid in full; then accrued class B note interest to the class B noteholders; then principal to the class B noteholders until the notes are paid in full; then accrued class C note interest to the class C noteholders; then principal to the class C noteholders until the notes are paid in full.
5	If an acceleration of the notes has occurred after, or as a result of, the event of default detailed in the third or fourth bullet in the Events Of Default section above, pay in the following priority: accrued class B note interest to the class B noteholders; then accrued class C note interest to the class C noteholders; then principal to the class A-1 noteholders until the notes are paid in full; then principal to the class A-2 and A-3 noteholders, pro rata, based on each class's note balance until all of the class A notes are paid in full; then principal to the class B noteholders until the notes are paid in full; then principal to the class C noteholders until the notes are paid in full.
6	Any remaining funds to the certificateholders.

Cash Flow Modeling Assumption 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. 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.

Breakeven analysis

For the DRIVE 2024-1 transaction structure, we applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower breakeven level (the maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario breakeven requirement.

Based on our stressed cash flows, the breakeven net loss results show that the class A, B, and C notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 9).

Table 8

Cash flow assumptions

Voluntary ABS (%)	0.90
Servicing fee (%)	4.0
Recovery rate (%)	
'AAA'/'AA'	30.0
'A' and below	35.0
Charge-off lag (mos.)	4
Breakeven CNL timing (mos. 12/24/36/48/60) (%)	
Front-loaded loss curve	40/80/90/100
Back-loaded loss curve	20/50/75/90/100
Sensitivity CNL timing (mos. 12/24/36/48/60) (%)	30/65/85/95/100

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

Table 9

Breakeven cash flow results

	Class A(i)	Class B	Class C
Preliminary rating	AAA (sf)	AA (sf)	A (sf)
CNL timing (mos. 12/24/36/48) (%)			
Front-loaded loss curve	60/100	45/87/97/100	42/82/91/100
Back-loaded loss curve	55/100	37/84/100	30/69/99/100
Approximate breakeven CNL levels (%)(ii)			
Required	59.40	52.80	44.00
Available: front-loaded loss curve	59.86	53.15	44.38
Available: back-loaded loss curve	60.05	53.78	45.13

(i)Class A represents classes A-1, A-2, and A-3, collectively. (ii)The maximum CNLs, with 90.00% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant classes of notes. CNL--Cumulative net loss.

Sensitivity analysis

In addition to our breakeven cash flows, we undertook a sensitivity analysis using the assumptions in table 8. We believe that under a moderate ('BBB') stress scenario (1.50x our 22.00% 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 June 9, 2023 (see table 10).

Table 10

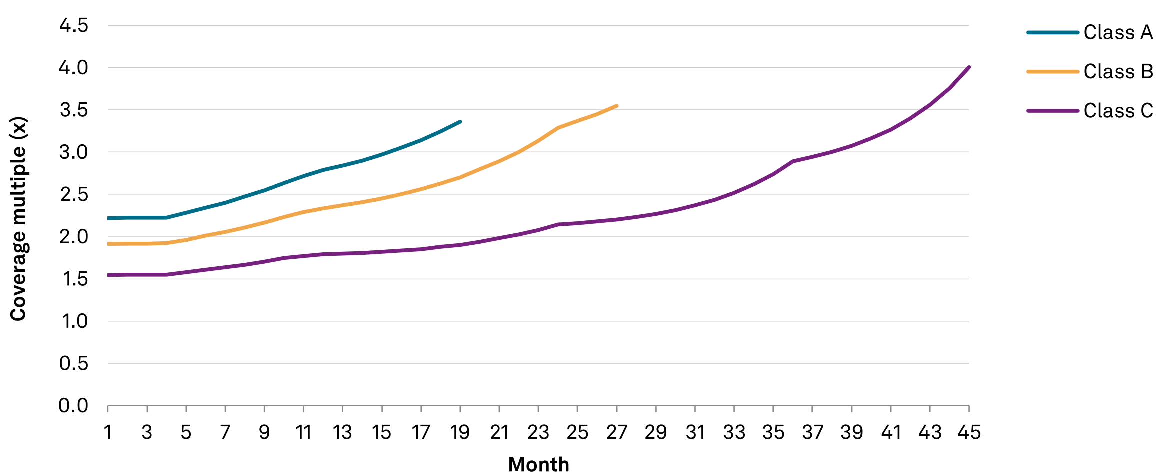
Credit stability as a limiting factor on ratings(i)

	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



Money market tranche sizing

The proposed money market tranche (class A-1) has a legal final maturity date of Feb. 18, 2025. To test whether the money market tranche can be repaid by its maturity date, we ran cash flows using assumptions to delay the principal collections. We assumed zero defaults and a 0.25% absolute prepayment speed for our cash flow run. Based on our modeling assumptions, scheduled principal collections would be sufficient to pay off the money market tranche ahead of the legal final maturity date.

Legal final maturity

To test the legal final maturity dates set for classes A-2 through B, we determined the date when the respective notes would be fully amortized in a zero-loss and zero-prepayment scenario and then added three months to that date. For the longest-dated security (class C), we added 16 months to the tenor of the longest-dated receivable in the pool to accommodate extensions on the receivables. Further, in the breakeven scenario for each respective rating level, we confirmed that the credit enhancement was sufficient to both cover losses and repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

The series bank accounts will be established and maintained with Wilmington Trust N.A., in the name of the indenture trustee, 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).

As servicer, SC has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices and satisfies our requirements for commingling risk. If SC were to no longer satisfy our commingling requirement, collections would be required to be deposited into the series' collections account within two business days of collection.

Our operational risk assessment of SC, as servicer, does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

SC and the key transaction parties could be subject to various regulatory investigations and/or legal proceedings that may arise in their ordinary course of business. We will assess any such events and outcomes as they become available to us to determine any impact to our counterparty and operational risk assessment.

Santander Consumer USA Inc.

SC, the originator and servicer of the receivables, is a wholly owned subsidiary of Santander Holdings USA Inc. (SHUSA; BBB+/Stable/A-2). We consider SHUSA to be a strategically important subsidiary of Banco Santander S.A. (A+/Stable/A-1) and believe that it would receive support from its parent, which owns all of SHUSA, if needed (see "Santander Holdings USA Inc.," published Sept. 28, 2023).

Since February 2013, SC has served as the preferred lender for FCA US LLC (Stellantis) by originating auto loans across the full credit spectrum and providing lease financing. In April 2022, the 10-year Master Private Label Financing Agreement was extended to December 2025. In March 2022, SC partnered with Mitsubishi Motors North America Inc. in a preferred lender program for consumer auto loans and leases, and dealer loans. SC also purchases loans through pass-through arrangements with third parties.

SC, based in Dallas, originates and services auto loans and leases through a network of more than 15,000 dealers nationwide. The company's underwriting is based on a tiered, risk-based, highly automated credit approval system built on its proprietary risk-scoring models. SC's servicing policies allow for payment modifications for obligors who have encountered temporary financial difficulty for a maximum of eight months during the loan's life, plus an additional 12 months during a disaster situation, with the maximum number of extensions not to exceed 16 months during the life of a loan. Each extension ranges from one to three months, with a maximum of three months per extension. To be eligible for an extension, the loan must be eight months past the date of origination or eight months must have elapsed since a previous extension or modification.

Receivables are placed in "nonaccrual" status when they are greater than 60 days delinquent. In general, receivables are charged off when they become contractually delinquent for more than four months. SC continues to pursue deficiencies on charged-off receivables until it determines that no further recoveries can be collected.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- U.S. Auto Loan ABS Tracker: November 2023 Performance, Jan. 9, 2024
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- Santander Holdings USA Inc., Sept. 28, 2023
- Three Ratings Raised And Six Affirmed From Six Drive Auto Receivables Trust Transactions, Sept. 11, 2023

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