Presale:

GreatAmerica Leasing Receivables Funding LLC (Series 2023-1)

May 10, 2023

PRIMARY CREDIT ANALYST

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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	118.425	June 14, 2024
A-2	AAA (sf)	Senior	Fixed	187.216	Feb. 16, 2026
A-3	AAA (sf)	Senior	Fixed	143.387	July 15, 2027
A-4	AAA (sf)	Senior	Fixed	64.727	March 15, 2030
B	AA+ (sf)	Subordinate	Fixed	21.769	March 15, 2030
C	A+ (sf)	Subordinate	Fixed	14.512	March 17, 2031

Note: This presale report is based on information as of May 10, 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 24, 2023.
Collateral	Small-ticket equipment leases and loans and associated equipment.
Originator, sponsor, and servicer	GreatAmerica Financial Services Corp.
Backup servicer and indenture trustee	Computershare Trust Co. N.A.
Issuer	GreatAmerica Leasing Receivables Funding LLC.
Placement agents	Wells Fargo Securities LLC, BofA Securities Inc., BMO Capital Markets Corp., and Regions Securities LLC.

Credit enhancement summary (%)(i)

	Series 2023-1		Series 2022-1		Series 2021-2		Series 2021-1		Series 2020-1	
	Initial	Floor	Initial	Floor	Initial	Floor	Initial	Floor	Initial	Floor
Class A(ii)										
Subordination	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total	12.00	7.75	12.00	7.75	12.00	7.75	12.00	7.75	12.00	7.75
Class B										
Subordination	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total	8.25	4.00	8.25	4.00	8.25	4.00	8.25	4.00	8.25	4.00
Class C										
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total	5.75	1.50	5.75	1.50	5.75	1.50	5.75	1.50	5.75	1.50

(i)The credit enhancement summary doesn't include the booked residuals of approximately 4.82% for series 2023-1, 4.26% for series 2022-1, 4.37% for series 2021-2, 5.22% for series 2021-1, and 5.40% for series 2020-1, which are available to cover losses. The percentage of the initial pool balance uses the 5.94% statistical discount rate for series 2023-1, 6.04% for series 2022-1, 1.68% for series 2021-2, 1.35% for series 2021-1, and 2.75% for series 2020-1. (ii)Includes classes A-1, A-2, A-3, and A-4 collectively.

Rationale

The preliminary ratings assigned to GreatAmerica Leasing Receivables Funding LLC's series 2023-1 receivables-backed notes reflect:

- The availability of 12.70%, 9.21%, and 7.34% credit support to the class A (classes A-1, A-2, A-3, and A-4 collectively), B, and C notes, respectively, based on stressed break-even cash flow scenarios. These credit support levels provide coverage of approximately 6.4x, 4.6x, and 3.7x the lower bound of our cumulative net loss range of 1.95%-2.05% for the class A, B, and C notes, respectively (see the S&P Global Ratings' Expected Loss section).
- Our expectation that, under our credit stability analysis, in a moderate stress ('BBB') scenario, all else being equal, the ratings on each class of notes will remain consistent with our credit stability criteria.
- Our expectation for the timely payment of periodic interest and principal by the final maturity date according to the transaction documents, based on stressed cash flow modeling scenarios that we believe are appropriate for the assigned preliminary rating categories.
- The highly diversified collateral characteristics of the securitized pool of equipment leases and loans, including individual obligor concentrations of less than 1.50%.
- The historically consistent loss performance of GreatAmerica Financial Services Corp.'s (GreatAmerica's) contract portfolio.
- Our outlook for credit quality of the small- and medium-sized businesses that represent the

obligors in the pool.

- The presence of a backup servicer, Computershare Trust Co. N.A.
- The transaction's legal structure.

Changes From The Series 2022-1 Transaction

The total initial and floor hard credit enhancements for all classes remain unchanged.

The collateral changes from the series 2022-1 transaction include that:

- The weighted average seasoning decreased slightly to 6.3 months from 7.2 months;
- The top equipment type remains office imaging, which increased slightly to 64.69% from 62.32%;
- The second-largest equipment type is automotive repair, with concentrations down slightly to 7.16% from 7.62%, while the third-largest equipment type is franchise at 5.91%, replacing light industrial/construction at 6.31% from the prior transaction.
- Approximately 51.01% of the pool is concentrated in the highest-quality credit tiers (risk classes A and B), which is slightly higher than their prior transaction at 49.46%;
- The average discounted contract balance increased to $18,615 from $18,299;
- The statistical discount rate decreased slightly to 5.94% from the final discount rate of 6.04%; and
- The top 10 obligors account for 6.14% of the initial pool balance, a slight increase from 5.96%. The largest obligor concentration decreased slightly to 1.36% from 1.41%, and the top obligor concentration continues to remain below the 1.50% threshold level that we generally use to begin incorporating event risk (obligor bankruptcy) as an additive factor into our stressed loss scenarios.

Overall, the series 2023-1 pool's collateral composition is similar to that of the series 2022-1 pool, in our view, reflecting GreatAmerica's managed portfolio's high level of diversification and consistency over time. As a result, we maintained our expected cumulative net loss range for the series 2023-1 pool relative to the series 2022-1 pool at 1.95%-2.05%.

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, ESG credit factors do not influence our assessment of the transaction's credit quality.

Transaction Overview

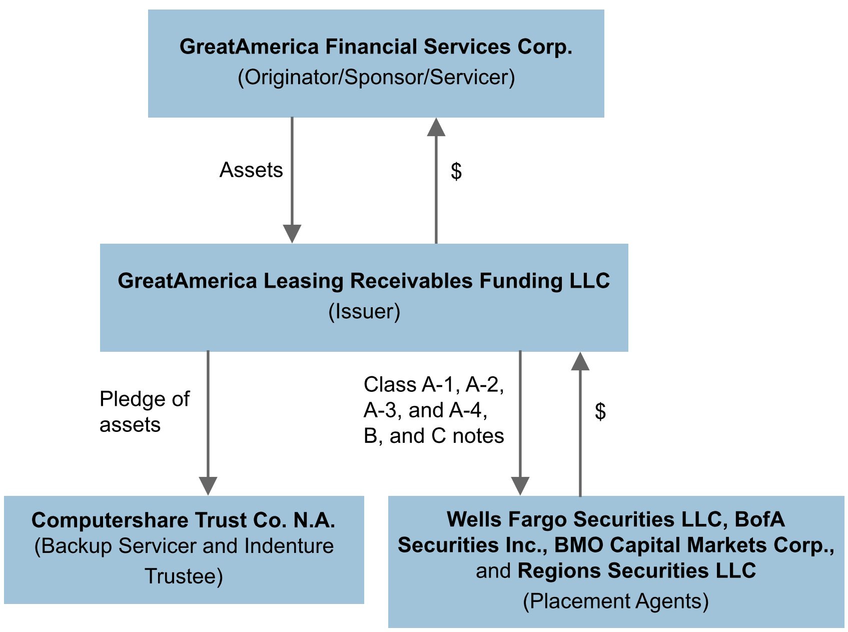
The series 2023-1 transaction is the 23rd term securitization backed by GreatAmerica collateral that S&P Global Ratings has rated. We rated the most recent transaction, series 2022-1, in October 2022. The series 2023-1 transaction is structured as a true sale of the assets from GreatAmerica to GreatAmerica Leasing Receivables Funding LLC, the issuer, and as a subsequent pledge of the assets to Computershare Trust Co. N.A., the indenture trustee (see chart 1). The collateral includes scheduled payments on equipment leases and loans, as well as residual values. Principal will be paid sequentially within the class A notes and among the class A, B, and C notes.

The overcollateralization begins at a dollar amount equal to 5.25% of the initial pool balance. Overcollateralization could be released at or above a target level equal to the greater of 5.25% of the current pool balance and a fixed dollar amount floor level equal to 1.00% of the initial pool balance. The reserve account will be 0.50% of the initial pool balance and will not amortize. The first payment date will be June 15, 2023.

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

Chart 1

Transaction Structure



Transaction Structure

The series 2023-1 transaction incorporates certain structural features:

- A sequential-pay structure that maintains the notes' amount at 94.75% of the pool balance until the overcollateralization floor is reached.
- An overcollateralization floor that causes additional principal payments to be made sequentially to the class A, B, and C notes if the overcollateralization balance is below 1.00% of the initial pool balance.
- A reserve account that is funded at 0.50% of the initial pool balance and does not amortize. In our view, the reserve account represents a level of liquid credit enhancement that is consistent

with the assigned ratings, based on the low and consistent delinquencies exhibited by GreatAmerica's portfolio over a 25-year historical period, spanning multiple economic cycles; the low obligor concentrations in the pool and consistency of these concentrations over time, given the expected pool amortization; the low percentage (3.72%) of non-monthly pay contracts in the pool; and the low level of extensions and modifications historically offered by GreatAmerica.

- A reprioritization feature that pays senior note principal ahead of the class B interest in cases where the outstanding class A note principal exceeds the pool balance and also pays senior note principal ahead of the class C interest in cases where the sum of the class A and B outstanding principal exceeds the pool balance. This reprioritization feature results in higher break-even levels when stress assumptions are applied. However, on an expected-case basis, we believe that any reprioritization of principal is highly unlikely because gross losses over a one-month period would have to exceed an 'A' category scenario.
- A residual account that, upon a residual event, traps residual receipts to provide additional credit support against future losses. A residual event will occur upon: an event of default where GreatAmerica ceases to be the servicer (other than in the circumstances that permit a successor servicer by merger or acquisition); the six-month residual realization percentage (which represents the ratio of residual proceeds realized to the associated booked residual value) calculated on the related determination date is less than 75.00%; the six-month delinquency percentage (using delinquencies that are 31-plus days past due) calculated on the related determination date is greater than 4.50%; or the cumulative net loss percentage on the related determination date exceeds the loss trigger percentages (see table 1). These residual events are unchanged from the series 2022-1 transaction.

Table 1

Series 2023-1 loss trigger percentages

Collection period (months)	Loss trigger percentage (%)
1-12	2.9
13-24	5.0
25 and thereafter	5.8

Payment Structure

The series 2023-1 distributions will be made from available funds according to the priority shown in table 2.

Table 2

Payment priority

Priority	Payment
1	Indenture trustee monthly fee ($5,000 per year) and backup servicer monthly fee (0.02% per year), plus other amounts due to the indenture trustee and backup servicer (other than transition expenses), capped at $10,000 per month, before an event of default occurs.
2	Reimburse servicer advances and unreimbursed overpayments to the issuer in connection with GreatAmerica's like-kind-exchange program(i).
3	If a successor servicer has been appointed, transition expenses, capped at $15,000 per month.

Table 2

Payment priority (cont.)

Priority	Payment
4	Servicer fee of 0.75% per year then due and unpaid.
5	If GreatAmerica is no longer acting as servicer, excess late charges and other amounts due to GreatAmerica that are not needed to compensate any successor servicer.
6	Class A note interest, paid pro rata.
7	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the class A outstanding amount over the pool balance (reprioritization).
8	Class B note interest.
9	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the class A and B outstanding amount (after applying the amount in item 7 above) over the pool balance (reprioritization).
10	Class C note interest.
11	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the outstanding amount (after applying the amounts in items 7 and 9 above) of all of the notes over the pool balance.
12	Deposit the required amount into the reserve account.
13	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the principal payment amount.
14	If sufficient funds are available, not including reserve fund amounts, pay all outstanding principal in full.
15	If a residual event occurs, deposit the remaining residual receipts into the residual account.
16	Reimburse indemnity payments to the noteholders.
17	Any other amounts owed to the trustee and backup servicer not already paid above.
18	Pay any indemnity payments due to the noteholders or any other party.
19	Any remaining amounts to the issuer.

(i)GreatAmerica is no longer utilizing its like-kind-exchange program due to recent changes in U.S. federal tax law. GreatAmerica--GreatAmerica Financial Services Corp.

Pool Analysis

As of May 1, 2023, the series 2023-1 transaction's pool balance (using a 5.94% statistical discount rate) was $580.516 million (see table 3). The pool consists of 31,186 leases/loans and is significantly diversified by obligor and geographic region. The primary equipment type is office imaging (64.69%). Other equipment types include computer hardware, light industrial/construction, automotive repair equipment, franchise, telephone/fax equipment, and medical/dental/veterinarian.

Table 3

Collateral comparison(i)

	Series 2023-1	Series 2022-1	Series 2021-2	Series 2021-1	Series 2020-1
Initial pool balance (mil. $)	580.52	671.80	542.32	666.56	692.78

Table 3

Collateral comparison(i) (cont.)

	Series 2023-1	Series 2022-1	Series 2021-2	Series 2021-1	Series 2020-1
No. of contracts	31,186	36,713	31,136	43,097	48,289
Avg. principal balance ($)	18,615	18,299	17,418	15,467	14,347
Weighted avg. original term (mos.)	55.6	55.5	55.1	54.2	54.0
Weighted avg. remaining term (mos.)	49.3	48.3	48.1	45.9	45.2
Weighted avg. seasoning (mos.)	6.3	7.2	7.0	8.4	8.8
Equipment type (%)					
	Office imaging: 64.69	Office imaging: 62.32	Office imaging: 67.55	Office imaging: 66.98	Office imaging: 64.09
	Automotive repair: 7.16	Automotive repair: 7.62	Automotive repair: 6.61	Computer hardware: 7.48	Computer hardware: 8.45
	Franchise: 5.91	Light industrial/construction: 6.31	Light industrial/construction: 6.12	Light industrial/construction: 6.35	Light industrial/construction: 6.59
	Light industrial/construction: 5.70	Computer hardware: 5.48	Computer hardware: 5.33	Automotive repair: 6.00	Automotive repair: 5.93
	Computer hardware: 4.79	Franchise: 4.13	Medical/dental/veterinary: 3.54	Telephone: 3.44	Telephone: 4.50
	Miscellaneous: 3.07	Medical/dental/veterinary: 3.95	Telephone:2.92	Miscellaneous: 2.92	Medical/dental/veterinary: 3.78
Top obligor (%)(iii)	1.36	1.41	1.41	1.08	1.40
Top five obligor SIC codes (%)	Services: 46.05; retail trade: 11.50; wholesale trade: 8.89; manufacturing: 7.46; finance, insurance, and real estate: 7.01	Services: 45.71; retail trade: 12.90; wholesale trade: 8.22; finance, insurance, and real estate: 7.20; manufacturing: 7.19	Services: 45.33; retail trade: 11.05; wholesale trade: 8.22; finance, insurance, and real estate: 8.19; manufacturing: 7.54	Services: 48.81; retail trade: 10.64; finance, insurance, and real estate: 8.77; wholesale trade: 8.00; manufacturing: 7.33	Services: 49.97; retail trade: 9.74; wholesale trade: 8.49 finance, insurance, and real estate: 7.59; manufacturing: 6.90
Top 10 obligors (%)	6.14	5.96	5.95	5.30	5.50
Largest vendor (%)	4.84	5.28	5.78	5.09	4.34
Top 10 vendors (%)	25.08	25.50	27.07	24.95	23.19
Bundled(iii) (%)	41.18	41.01	42.35	41.98	40.36

Table 3

Collateral comparison(i) (cont.)

	Series 2023-1	Series 2022-1	Series 2021-2	Series 2021-1	Series 2020-1
State concentration (%)	Texas: 14.18; Fla.:6.67; Calif.: 5.60; Pa.: 4.69; Ga.: 4.13	Texas: 14.46; Fla.:7.94; Calif.: 5.67; Ga.: 4.88; Pa.: 4.43	Texas: 13.90; Fla.: 8.13; Calif.: 5.95; Pa.: 4.40; Ga.: 4.00	Texas: 12.78; Fla.: 7.96; Calif.: 5.76; Minn.: 4.07; Pa.: 4.05	Texas: 11.62; Fla.: 6.75; Calif.: 6.58; Iowa: 4.29; Pa.: 4.24

(i)All percentages are of the initial pool balance (using the 5.94% statistical discount rate for series 2023-1, as well as 6.04%, 1.68%, 1.35%, and 2.75% final discount rates for series 2022-1, 2021-2, 2021-1, and 2020-1, respectively). (ii) Represents a special-purpose entity under GreatAmerica's Partners In Leasing program. (iii)Refers to arrangements where lease payments are combined with service payments that are aggregated on the contract or invoice. SIC--Standard industrial classification.

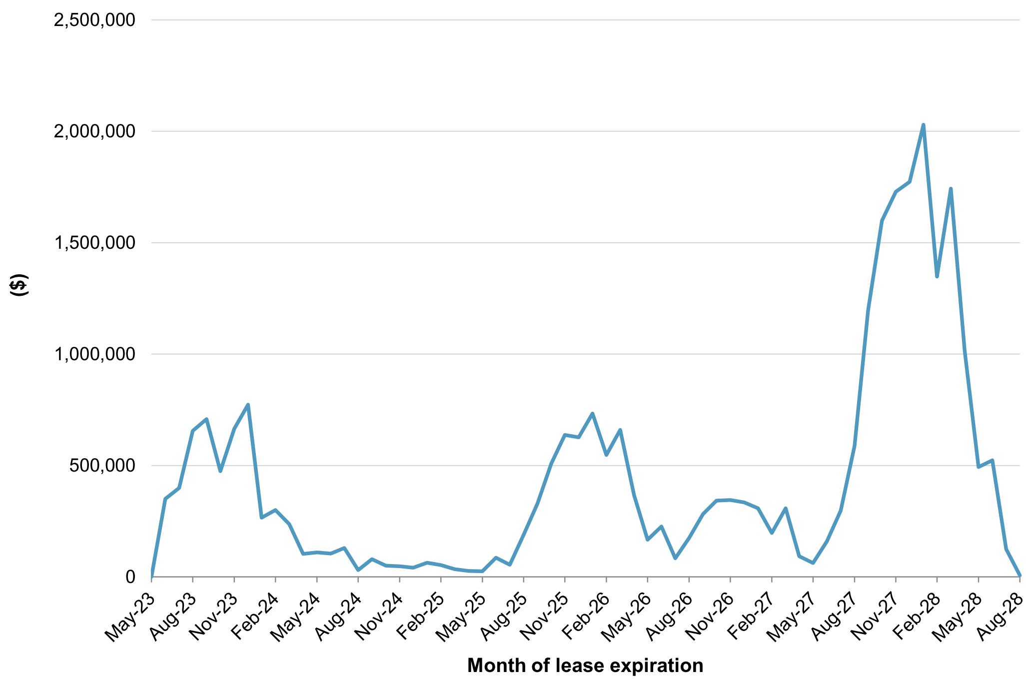
Residual Value

Residual characteristics

The collateral includes approximately $28.00 million in booked residuals that are not included in the pool balance calculation. In our cash flow modeling analysis, we assumed that a portion of these booked residuals, which equal approximately 4.8% of the $580.52 million pool balance (calculated using the 5.94% statistical discount rate), will be realized over time through equipment sales or through the obligors' continued payments for equipment use after the contract's originally scheduled expiration. The timing of booked residuals is based on the associated lease's scheduled expiration month (see chart 2). For the series 2022-1 transaction, booked residuals equaled 4.26% of the pool balance.

Chart 2

Timing of booked residual values for the series 2023-1 pool



Flow of residual cash flows

Residual receipts, which may be received from obligors, vendors, third parties, or directly from GreatAmerica in the case of a like-kind-exchange, are deposited into the collection account along with other collections and are available to cover losses that occur in the same monthly period. If a residual event occurs, any residual receipts that aren't used to cover losses are trapped in the residual account. Our cash flow scenarios assume that 70% of the booked residual values are realized. At lease maturity, GreatAmerica generally realizes residuals either by the equipment's sale to the lessee or, if the lessee returns the equipment, by sale to a vendor or third party. In addition, before contract maturity, some lessees seek to upgrade their equipment by making all remaining payments and by the vendor purchasing the equipment to provide the upgrade.

Managed Pool Performance

As of the fiscal year ended March 31, 2023, GreatAmerica's gross receivables totaled $2.72 billion, up from $2.37 billion over the same period in 2022. The overall trend for the past several years represents the company's continuing consistent but measured historical portfolio growth (see table 4). GreatAmerica is distinct from many other small-ticket leasing companies in that it has generally continued to grow its portfolio, even during downturns in the economic cycle, while maintaining its losses and delinquencies at relatively low and historically consistent levels. We believe this consistent performance results from GreatAmerica's adherence to conservative underwriting policies and procedures, coupled with service levels that allow the company to maintain existing customers while expanding the portfolio size without sacrificing credit quality.

Gross and net loss performance has been at historical lows for the past several years, which is partially attributable to supply chain disruptions that continue to put upward pressure on used equipment prices. As of the fiscal year ended March 31, 2023, gross and net losses remained below pre-COVID-19 pandemic levels at 0.29% and 0.20%, respectively, from 0.51% and 0.38% as of fiscal year-end 2018, and 0.52% and 0.39% as of fiscal year-end 2019 (see table 4). At the same time, 31-plus day delinquencies came in at 1.49% as of fiscal year ended March 31, 2023, and are slightly higher than those in fiscal year-ends 2018 (1.21%) and 2019 (1.38%).

Table 4

GreatAmerica contract portfolio performance

	Fiscal year ended March 31							
	2023	2022	2021	2020	2019	2018	2017	2016
Gross receivables at the end of the period (mil. $)	2,717.03	2,365.79	2,311.35	2,368.70	2,186.7	2,021.7	1,884.7	1,780.1
Delinquency period (%)								
31-60 days	1.00	0.89	0.66	1.57	0.98	0.88	0.76	0.79
61-90 days	0.30	0.14	0.16	0.29	0.23	0.17	0.15	0.15
More than 90 days	0.19	0.10	0.13	0.19	0.17	0.15	0.15	0.16
Total 31-plus day delinquencies as a % of the portfolio	1.49	1.13	0.95	2.06	1.38	1.21	1.06	1.10
Average net investment (mil. $)	2,451.28	2,269.17	2,262.42	2,199.58	2,036.03	1,890.45	1,769.34	1,641.37
Gross loss (% of the average net investment)	0.29	0.27	0.56	0.51	0.52	0.51	0.56	0.46
Net loss (% of the average net investment)	0.20	0.11	0.40	0.38	0.39	0.38	0.38	0.33

(i)Gross and net loss percentages are 12-months ended March 31).

Surveillance Update

S&P Global Ratings maintains ratings on four outstanding GreatAmerica Leasing Receivables Funding LLC securitizations: series 2020-1, 2021-1, 2021-2, and 2022-1. On March 31, 2023, we raised our ratings on four classes and affirmed our ratings on eight classes from the transactions (see "Various Rating Actions Taken On Three GreatAmerica Leasing Receivables Funding LLC Transactions"). We will continue to monitor the performance of any outstanding rated transactions and take rating actions if appropriate.

Table 5

Performance data of outstanding GreatAmerica Leasing Receivables Funding LLC series as of the April 2023 distribution date

Series	Month	Pool factor (%)	Cumulative net loss(%)	60+ day del (%)	Original lifetime CNL exp. (%)	Former lifetime CNL exp. (%)(i)	Revised lifetime CNL exp.(ii)(%)
2020-1	38	19.88	0.65	0.48	2.40-2.50	0.80-1.00	Up to 0.75
2021-1	26	39.91	0.35	0.37	2.40-2.50	1.30-1.50	0.80-1.00
2021-2	18	58.71	0.37	0.48	2.10-2.20	N/A	1.15-1.35
2022-1	6	86.14	0.12	0.29	1.95-2.05	N/A	N/A

(i)Revised June 2022. (ii)Revised March 2023. CNL exp.--Cumulative net loss expectation. N/A--Not applicable

S&P Global Ratings' Cumulative Net Loss: 1.95%-2.05%

Static pool gross and net losses

Given GreatAmerica's consistently strong static pool and securitization performance, which has performed below our expected base-case levels, we have lowered our expected cumulative net loss range to 1.95%-2.05% for the series 2023-1 transaction.

To derive our cumulative net loss expectation for the series 2023-1 transaction, we reviewed gross and net loss data for prior GreatAmerica securitizations and quarterly static pool data for GreatAmerica's managed pool. We derived our gross loss proxy by considering gross losses on fully liquidated pools and by projecting losses on outstanding static pool vintages utilizing a GreatAmerica specific loss curve. The cumulative net loss also considers the strong performance of GreatAmerica's 22 previous securitizations, including during the 2007-2009 recession. We placed less emphasis on performance data from 2020 and 2021 in our analysis given the strong performance of these vintages, which we partially attribute to COVID-19-related economic benefits, elevated used equipment prices, and the strong economic recovery.

Our expected cumulative net loss range reflects an adjustment to the base-case gross loss by an approximate 10.00% stressed recovery rate. We apply a stress to GreatAmerica's historical recovery rates to account for the pool's recovery performance potentially deteriorating as a result of various factors, including if GreatAmerica is no longer the servicer.

We do not adjust our cumulative net loss for the performance risk associated with bundled contracts in the pool (i.e., the risk that the provider of the services that are bundled within lease contracts fails to perform), even though the total percentage is material (41.18%), based on our view that the risk is addressed through high diversification of performance providers (i.e., vendors) in the pool. Based on our review of the data, the series 2023-1 collateral pool, and our economic outlook balanced with the better-than-expected securitization performance of recent transactions, our cumulative net loss range for this pool is 1.95%-2.05%.

Assumed Residual Realization: 70.00% Of Booked Residuals

Long history of strong residual realizations

The series 2023-1 notes benefit from approximately $28.00 million in booked residuals (or 4.82% of the $580.52 million pool balance, calculated using the 5.94% statistical discount rate). This is comparable with the previous transaction ($28.64 million or 4.26% of the series 2022-1 discounted contract balance). The discounted credit to residuals considers the historical realization rate and risk factors, including mismatched timing between residuals and losses, declining realization rates if GreatAmerica is no longer the servicer, and obligor defaults on underlying leases (this would convert residual realizations into recovery proceeds). GreatAmerica's realization rate on booked residuals has consistently been well-above 100.00% for the past 20 years (the 2004 to 2023 weighted average is approximately 162.42% of booked residuals). Our cash flow scenarios assume a realization rate of 70.00% of the booked amount, implying an approximate 40.00%-50.00% credit to historical realized residual values.

Cash Flow Modeling Assumptions And Results

Cash flow assumptions

We reviewed cash flow scenarios that were subject to a stress case commensurate with the respective assigned preliminary ratings on the notes. These scenarios included a range of loss timing curves and assumed a 10.00% stressed recovery rate, 70.00% credit-to-booked residuals, and a 1.00% servicing fee (the transaction documents define the servicing fee as 0.75%) to provide additional cushion in the event that a servicer transition is necessary (see table 6).

Table 6

Cash flow assumptions and results

	Class A(i)	Class B	Class C
Scenario (preliminary rating)	AAA (sf)	AA+ (sf)	A+ (sf)
Voluntary prepayments (%)	5	5	5
Recoveries (%)	10	10	10
Recovery lag (mos.)	4	4	4
Residual credit (%)	70	70	70
Cumulative net loss timing curve 1 (%)	45/40/10/5	45/40/10/5	45/40/10/5
Approximately break-even levels curve 1 (%)	12.70	9.21	7.34
Cumulative net loss timing curve 2 (%)	20/25/25/30	20/25/25/30	20/25/25/30
Approximately break-even levels curve 2 (%)	13.03	9.57	7.47

(i)Classes A-1, A-2, A-3, and A-4 collectively.

Stressed fees

The structure allows for fees paid in the first priority to be uncapped following certain events of default and to be subject to a higher capped level following other events of default. Consistently with our criteria, we ran our cash flow stress scenarios assuming that a nonmonetary event of default has occurred to assess the effect of higher or uncapped fees (assuming payment of a stressed level of additional fees in the first payment priority).

Cash flow results and conclusions

Because of the sequential-pay structure and strong overcollateralization and reserve floors, the loss curve's shape does not have a significant effect on the break-even results in our scenarios. Based on our cash flow analysis, the preliminary rated notes all paid timely interest and ultimate principal and withstood a net loss level that we believe is consistent with the assigned preliminary rating categories.

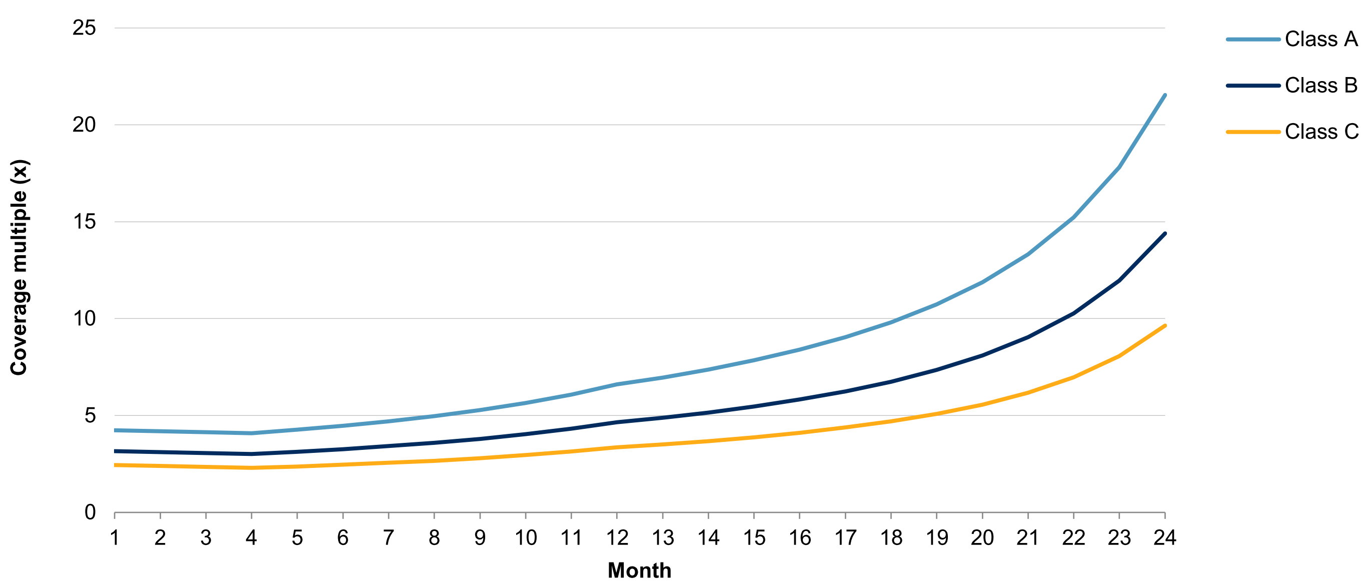
In evaluating the class A-1 note's size, which has a proposed legal final maturity date of June 14, 2024, we reviewed cash flows assuming zero losses and no prepayments that showed that the class A-1 for this series pays off three months prior to its legal final maturity date.

Sensitivity Analysis

In addition to analyzing break-even cash flows, we conducted a sensitivity analysis that included running a moderate stress scenario to determine the level of loss coverage and potential rating migration that could occur for the notes. All else being equal, our ratings will be within the credit stability limits specified by section A.4 of the Appendix contained in "S&P Global Ratings Definitions," published Nov. 10, 2021 (see chart 3).

Chart 3

Sensitivity analysis: percent of cumulative net loss



3.50% loss scenario (1.75x losses)

Assuming cumulative net losses of 3.50% (1.75x our cumulative net loss), credit enhancement for the preliminary 'AAA (sf)', 'AA+ (sf)', and 'A+ (sf)' rated classes begins at 4.24x, 3.17x, and 2.46x, respectively. The multiples decline slightly during the four-month loss lag period and then increase thereafter due to deleveraging. In this moderate stress scenario, all classes of notes exhibit consistency with our credit stability criteria.

GreatAmerica

Background

GreatAmerica is a small-ticket equipment finance company headquartered in Cedar Rapids, Iowa, that has been in operation since 1992. The company has historically focused on leasing small-ticket equipment, primarily office equipment. GreatAmerica has successfully serviced each of its 22 previous securitizations since 1995. The company is distinct from many other small-ticket equipment leasing companies because it benefits from long tenure and senior management continuity. The company is predominantly family-owned (approximately 88.5%), with other employees owning 2.9% and other investors (including former employees) accounting for the remaining 8.6%.

Steady originations growth

GreatAmerica's portfolio has grown consistently since 1992 (see the Managed Pool Performance section). The company's growth has been consistent but controlled due to management's focus on maintaining conservative underwriting practices. The portfolio's growth represents the company's direct originations rather than large portfolio purchases. GreatAmerica's business is generated through its approved vendor base.

Conservative underwriting

The credit approval process employs various inputs, including credit reports, bank and trade references, and, for larger-ticket transactions, financial statements. Beginning in 2002, GreatAmerica began using an automated credit scoring model. GreatAmerica enhanced the model in 2010 and revalidated it in 2019. Additional enhancements were made in March 2015. This proprietary automated credit scoring model offers various benefits, including the ability to score credits, filter credits based on specific credit parameters, and develop rich historical data that can be used to evaluate overall credit performance.

In response to the COVID-19 pandemic, GreatAmerica instituted further risk mitigation measures including updating qualifications for auto approvals and a review and evaluation by a credit analyst on a greater percentage of auto approvals.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities , Dec. 22, 2020
- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions , May 31, 2019
- 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

- Various Rating Actions Taken On Three GreatAmerica Leasing Receivables Funding LLC Transactions, March 31, 2023
- Credit Conditions North America Q2 2023: Coalescing Stresses, March 28, 2023
- Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023