S&P Global Ratings

Research

Presale:

SFS Auto Receivables Securitization Trust 2023-1

June 15, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)	Expected legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	105.30	July 22, 2024
A-2-A/A-2-B(ii)	AAA (sf)	Senior	Fixed/floating	303.00	March 22, 2027
A-3	AAA (sf)	Senior	Fixed	228.00	Oct. 20, 2028
A-4	AAA (sf)	Senior	Fixed	49.95	Dec. 20, 2029
B	AA (sf)	Subordinate	Fixed	24.70	Jan. 22, 2030
C	A (sf)	Subordinate	Fixed	39.05	Feb. 20, 2031

Note: This presale report is based on information as of June 15, 2023. 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 will be determined on the pricing date. (ii)The allocation of the initial principal amount between the class A-2-A and A-2-B notes will be determined during pricing, although the class A-2-B principal amount will not exceed $121.20 million. The class A-2-B notes, if issued at closing, will accrue interest at a floating rate indexed to a compounded SOFR (30-day average) plus a margin. SOFR-Secured overnight financing rate. NR--Not rated.

Profile

Expected closing date	June 30, 2023.
Collateral	Prime auto loan receivables.
Sponsor, originator, servicer, and custodian	Stellantis Financial Services Inc.
Depositor	SFS Auto Funding LLC.
Issuer	SFS Auto Receivables Securitization Trust 2023-1.
Indenture trustee	Wilmington Trust N.A. (A-/Stable/A-2)
Owner trustee	Citibank N.A.
Bank account provider	Wilmington Trust N.A. (A-/Stable/A-2)
Lead underwriter	JP Morgan Securities LLC

3002095

Rationale

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

- The availability of approximately 15.5%, 12.6%, and 9.4% credit support for the class A, B, and C notes (inclusive of excess spread), respectively, based on our stressed cash flow scenarios. These credit support levels provide approximately 5.0x, 4.0x, and 3.0x our 3.00% expected cumulative net loss (ECNL) range for the class A, B, and C notes, respectively (see the Credit Enhancement and Collateral and the Cash Flow Modeling Assumptions and Results sections below).
- Our expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary ratings will be within our credit stability limits (see the Cash Flow Modeling Assumptions and Results section below).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The transaction's credit enhancement in the form of subordinated notes, a nonamortizing reserve account, overcollateralization, a yield supplement overcollateralization amount (YSOA), and excess spread (see the Credit Enhancement and Collateral section below).
- The collateral characteristics of the series' prime automobile loans, our view of the credit risk of the collateral, and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement and Collateral and the Macroeconomic and Auto Finance Sector Outlook sections below).
- The series' bank accounts at Wilmington Trust N.A. which do not constrain the preliminary ratings.
- Our operational risk assessment of Stellantis Financial Services (SFS) as servicer, and our view of the company's underwriting and servicing operations.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our expected cumulative net loss (ECNL) for SFAST 2023-1 is 3.00% and reflects:

- The transaction's collateral characteristics relative to those of peers;
- Our expectation of the transaction's loss performance based initially on peer performance and adjusted upward due to the company's limited historical prime auto performance; and
- Our forward-looking view of the auto finance sector.

Environmental, Social, And Governance (ESG) Factors

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

In our view, the exposure to ESG credit factors is in line with our sector benchmark. We generally view environmental credit factors as above average because the collateral pool primarily consists of vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risk. Although the adoption of electric vehicles and future regulation could lower ICE vehicle values over time, we believe our current approach to evaluating recovery values adequately accounts for vehicle values over the transaction's relatively short, expected life. As a result, we did not identify this as a separate material ESG credit factor in our analysis.

Key Ratings Considerations

SFAST 2023-1 is SFS' first prime auto term ABS securitization. Based on our review of SFS' operations, performance history, and securitization pool characteristics, we considered the following strengths in rating this transaction:

- SFS, as a wholly owned subsidiary of Stellantis N.V. (Stellantis; BBB/Stable/A-2), has the full captive support of its parent.
- SFS has been originating, underwriting, and servicing subprime auto loans for 34 years (founded in 1989, doing business as First Investors Financial Services Inc. [First Investors]); SFS has been a third-party servicer for many years.
- The company also has a strong securitization track record with S&P Global Ratings since at least 2000.
- The company has weathered multiple economic and business downturns, has historically exhibited strong financials, and compares well with many of its competitors in the subprime auto finance segment.
- SFS has secured adequate funding lines from diverse sources, including an intercompany revolving facility from its parent.
- The company's key management team has many years of auto finance and securitization experience.
- SFS, with the assistance of an established third party, has built a custom, captive-specific prime/near-prime scoring solution to support its prime loan and lease strategies. According to management, this model has been independently validated using out of time data sample indicating better predictiveness than FICO (version 8) or Vantage-only scores.

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

- Limited operating history as a captive finance company and originator/servicer of prime auto loans. SFS became Stellantis' U.S. captive subsidiary in November 2021 after Stellantis' acquisition of First Investors. SFS began retail prime auto originations, underwriting, and servicing as a captive in March 2022.
- Limited prime auto loan performance data given that SFS began originations of prime loans in March 2022.

In our view, SFS' extensive and proven history as an originator, servicer, and securitizer of auto loans, led by its experienced management team, partially mitigates these risks. In addition, SFS selected a higher credit quality pool for its inaugural securitization relative to its managed portfolio. The SFAST 2023-1 collateral pool will have a weighted average FICO score of 748 and a minimum FICO of 670 . Included also are LTV caps to preserve the credit quality of the pool. The pool's weighted average payment-to-income (PTI) is generally comparable to that of peer pools.

Although we do not believe the above risks constrain our ratings, we factored SFS' limited prime auto performance history into our ECNL for SFAST 2023-1 and, as a result, it is higher than that of its captive peers.

Stellantis Financial Services

SFS, formerly known as First Investors, is a wholly owned subsidiary of Stellantis Financial Services US Corp., the holding company formed following the acquisition of FI Holdings by FCA North America Holdings, an indirect wholly owned subsidiary of Stellantis in November 2021. SFS provides captive financing capabilities to serve Stellantis' U.S. markets by offering and servicing a wide range of automobile-related financial products, including retail auto loan and lease financing, wholesale floorplan financing, and other commercial financing. SFS, incorporated in 1989 as First Investors, has sponsored 32 auto loan ABS securitizations since 2000.

SFS offers full credit spectrum lending for new and used vehicles that consumers purchase or lease from Stellantis-branded franchise dealers in the U.S. including Chrysler, Dodge, Jeep, RAM, and Alfa Romeo dealers, and provides commercial financing services to those dealers. SFS also operates, as a separate line of business, its traditional subprime lending under the First Investors name

SFS maintains a team of field representatives who market SFS' financing and leasing programs and maintain relationships with dealers. Credit applications are forwarded to SFS' four regional credit centers located in Texas, Georgia, Arizona, and Michigan, with decisions made on an automated basis based on SFS' underwriting guidelines and credit scoring models. SFS purchases the contracts from the Stellantis-branded dealers under the captive retail program on a non-recourse basis. SFS services its loan portfolio centrally from its main servicing center in Atlanta. It also employs a near-shore servicing partner for front end collections and other back-office services. The company uses automated servicing systems and collection tools.

Credit Enhancement And Collateral

Credit enhancement

Table 1 shows the credit enhancement for SFS' inaugural transaction.

Table 1

Credit enhancement summary (%)(i)

	SFAST 2023-1		
	Initial	Target	Floor
Class A			
Subordination	8.00	8.00	8.00
Overcollateralization	5.90	5.90	5.90
Reserve account	0.25	0.25	0.25
Total	14.15	14.15	14.15
Class B			
Subordination	4.90	4.90	4.90
Overcollateralization	5.90	5.90	5.90
Reserve account	0.25	0.25	0.25
Total	11.05	11.05	11.05
Class C			
Subordination	0.00	0.00	0.00
Overcollateralization	5.90	5.90	5.90
Reserve account	0.25	0.25	0.25
Total	6.15	6.15	6.15
Estimated YSOA-adjusted annual excess spread (%)(ii)	2.23		
Total notes issued ($)	750,000,000		
Initial overcollateralization ($)	47,031,977		
Initial adjusted aggregate receivables balance ($)	797,031,977		
Initial yield supplement overcollateralization ($)(iii)	30,770,750		
Initial aggregate receivables balance ($)	827,802,727		

(i)The initial, target, and floor credit enhancement is a percentage of the initial adjusted receivables balance. (ii)The estimated annual excess spread shown is before pricing and is calculated based on initial YSOA-adjusted APR minus weighted average cost of debt and 1.0% annual servicing fee. (iii)Assumes a 8.50% YSOA discount rate. APR--Annual percentage rate. SFAST--SFS Auto Receivables Securitization Trust. YSOA--Yield supplement overcollateralization amount.

The SFAST 2023-1 transaction incorporates the following credit enhancement and structural features:

- A sequential principal payment structure in which the subordinated classes will provide nonamortizing credit enhancement to the senior classes.
- Notes that mainly pay a fixed interest rate. Class A-2-B, if issued, will pay a variable interest rate indexed to 30-day average SOFR plus a margin.
- An initial 5.90% overcollateralization amount that will be maintained throughout the transaction's life, as a percentage of the initial adjusted pool balance.
- A fully funded nonamortizing reserve account amount that will not be less than 0.25% of the initial adjusted pool balance.
- A yield supplement overcollateralization (YSOC) amount that will initially be approximately 3.86% of the initial adjusted receivables balance. The YSOC amount is sized so that the yield on

the contracts with APRs below the YSOC-required rate of 8.50% will increase to the required rate to generate excess spread for the transaction. The YSOC amount for each distribution date will be calculated as of the cutoff date and will amortize according to a schedule.

- Excess spread, adjusted for YSOC, of approximately 2.23% per year (pre-pricing).

Collateral Analysis

As of the May 31, 2023, cutoff date, the SFAST 2023-1 statistical pool receivables balance was $1.156 billion with a weighted average FICO score of 748 and a minimum FICO score of 670. Additional collateral characteristics are presented in table 2 below. The final receivables pool of $827.803 million will be selected during pricing from this statistical pool and is expected to possess similar key characteristics.

Given that nearly 40% of the pool has original maturities of 76-84 months, we analyzed the collateral characteristics of these loans relative to the overall pool. These loans have slightly lower FICOs and higher LTVs and PTIs than the overall pool. However, they appear of stronger credit quality than the 73-75 month loans (14% of the pool), which have the lowest weighted average FICOs and highest LTVs and PTIs of the term buckets.

Table 2

Collateral characteristics(i)

	SFAST 2023-1
Pool size ($)	1,156,087,214
No. of receivables	24,774
Avg. original principal balance ($)	48,811
Avg. current principal balance ($)	46,665
Weighted avg. APR (%)	7.93
Weighted avg. original term (mos.)	75.8
Weighted avg. remaining term (mos.)	72.3
Weighted avg. seasoning (mos.)	3.5
Weighted avg. FICO score	748
Minimum FICO score	670
Weighted avg. LTV ratio (%)	99.7
New vehicles (%)	77.3
Used vehicles (%)	22.7
Original term distribution (%)	
Less than or equal to 60 months	7.8
61-72 months	38.6
73-75 months	13.8
76-84 months	39.8
Remaining term distribution (%)	
Less than or equal to 60 months	8.9
61-72 months	46.0

Table 2

Collateral characteristics(i) (cont.)

	SFAST 2023-1
73-75 months	8.8
76-84 months	36.3
FICO distribution (%)	
670-700	27.5
701-750	30.1
751-800	19.9
801-850	17.0
851+	5.5
LTV distribution (%)	
Less than or equal to 90	26.7
90.01-100.00	15.6
100.01-110.00	22.1
110.01-120.00	25.6
120.01-130.00	10.0
Top three state concentrations (%)	
	TX=18.2
	FL=9.5
	CA=6.1
Top three vehicle makes (%)	
	Model Ram=41.8
	Brand Jeep=33.4
	Brand Dodge=13.5

(i)All percentages are of the initial aggregate receivables balance. SFAST—SFS Auto Receivables Securitization Trust. APR--Annual percentage rate. LTV--Loan to value.

In our analysis, we compared the SFAST 2023-1 collateral pool with that of several peers within the prime auto loan sector, some of which are included below (see table 3). In our view, the SFAST 2023-1 pool exhibits the following credit positive attributes compared to these peers:

- Generally comparable weighted average FICO score;
- The exclusion of any loans with a FICO score of less than 670. This is a higher minimum FICO cutoff compared to peers;
- Lower or comparable weighted average LTV ratio;
- The exclusion of any loans that have a LTV ratio greater than 130%. All peer pools below have some percentage of loans with a LTV greater than 130%.
- As shown in table 2 above, a 10% cap on loans with an LTV ratio of 120%-130%. The peer pools do not include such a cap.

However, in our view, the SFAST 2023-1 pool includes the following credit negative attributes compared to the peers:

- The average principal balances (both original and current) of the SFAST 2023-1 pool is notably higher. In our view, depending on the timing of a loan default, higher average balances outstanding at time of default can potentially result in a higher loss severity.
- The pool is less seasoned compared to most peers, resulting in a higher weighted average remaining term compared to peers.
- The pool includes a higher percentage of loans with an original term of 76-84 months. Higher losses may result if the related financed vehicles' values depreciate at a rate faster than the loan amortization.

Table 3

Collateral peer comparison(i)

	SFAST 2023-1	FCAOT 2023-A	GMCAR 2023-2	BWSTA 2019-1	SCART 2020-B
Sponsor/originator	Stellantis Financial Services Inc.	Ford Motor Credit Co.	GM Financial	Bank of the West	SCUSA Chrysler Capital
Pool size (mil. $)	1,156.087	1,732.167	1,701.738	769.857	636.301
No. of receivables	24,774	48,752	49,094	27,019	18,644
Avg. original principal balance ($)	48,811	43,955	40,502	32,644	35,849
Avg. current principal balance ($)	46,665	35,530	34,663	28,493	34,129
Weighted avg. APR (%)	7.93	4.74	4.69	6.19	4.89
Weighted avg. original term (mos.)	75.8	65.1	68.9	77.8	67.9
Weighted avg. remaining term (mos.)	72.3	57.8	59.9	66.8	66.1
Weighted avg. seasoning (mos.)	3.5	7.3	9.0	11.0	1.8
Weighted avg. FICO score	748	745	783	736	750
Minimum FICO score/FICO cutoff	670	--	--	650	630
Weighted avg. LTV ratio (%)	99.7	101.4	97.4	108.5	98.0
New vehicles (%)	77.3	87.8	79.0	54.3	88.4
Used vehicles (%)	22.7	12.2	21.0	45.7	11.6
Original term distribution (%)					
< = 60 months	7.8	45.4	25.3	3.7	23.6
61-72 months	38.6	36.0	45.4	27.6	45.2
73-75 months	13.8	6.2	9.3	19.5	20.4
76-84 months	39.8	12.4	20.0	49.2	10.8
Remaining term distribution (%)					
< = 60 months	8.9	56.3	39.8	21.5	24.0
61-72 months	46.0	32.6	50.2	47.2	48.8

Table 3

Collateral peer comparison(i) (cont.)

	SFAST 2023-1	FCAOT 2023-A	GMCAR 2023-2	BWSTA 2019-1	SCART 2020-B
73-75 months	8.8	11.1(ii)	2.6	27.7	16.6
76-84 months	36.3		7.4	3.6	10.6
FICO distribution (%)					
< = 650	0.0	11.0	1.1	0.0	9.5
651-700	27.6	13.0	8.5	33.2	22.6
701-750	30.1	14.6	19.9	28.4	19.4
751-800	19.9	15.5	27.9	22.1	17.8
801+	22.5	23.8	42.7	16.3	30.7
LTV distribution (%)					
< = 100	42.2	41.0	48.7	30.5	48.7
101 - 130	57.8	51.5	45.4	59.5	44.2
130+	0.0	7.5	5.9	10.0	7.1
Top three vehicle makes (%)					
	Ram=41.8	Ford=96.5	Chevrolet=52.3	Chevrolet=23.4	Jeep=44.4
	Jeep=33.4	Lincoln=3.5	GMC=30.8	Ford=16.1	Ram=31.1
	Dodge=13.5		Cadillac=7.8	Ram=9.7	Dodge=14.1
Top three state concentrations (%)					
	TX=18.2	TX=17.3	TX=16.6	CA=27.5	TX=12.7
	FL=9.5	CA=10.4	FL=8.5	IL=11.1	CA=9.6
	CA=6.1	FL=8.9	CA=7.6	TX=10.3	IL=6.4
ECNL (%)(iii)	3.00	1.25	1.20	2.40	1.50

(i)All percentages are of the initial aggregate receivables balance. (ii)Loans with 73-84 month remaining terms. (iii)Reflects original ECNL % for all transactions except for SCART 2020-B which reflects the most recent revised ECNL % as of Sept. 2022. SCART 2020-B's original ECNL % was in the range of 5.00%-6.00%. SFAST--SFS Auto Receivables Securitization Trust. FCAOT--Ford Credit Auto Owner Trust. GMCAR--GM Financial Consumer Automobile Receivables Trust. SCART--Santander Consumer Auto Receivables Trust. BWSTA--Bank of the West Auto Trust. SCUSA--Santander Consumer USA Inc. APR--Annual percentage rate. LTV--Loan to value.

Macroeconomic And Auto Finance Sector Outlook

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

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

Table 4

U.S. economic factors

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

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

As the Fed's aggressive tightening of interest rates increases borrowing costs, we expect the economy to fall into a shallow recession later this year. We are forecasting slightly negative growth in the second and third quarters of this year, with GDP averaging 0.7% growth for the year (see "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise," published March 27, 2023). With economic pressures worsening due to higher borrowing costs, businesses will be need to trim payrolls in interest rate-sensitive sectors. The recent banking sector disturbance may also lead to credit tightening and a softer jobs market. We expect the unemployment rate to rise and peak at 5.4% in second-quarter 2024 and then decline in late 2025.

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

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: 3.00%

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

- The transaction's collateral characteristics relative to those of peers (see table 3);
- The managed portfolio performance and origination static pool data (see table 5) and their relative performances; and
- Our forward-looking view of the economy and the auto finance sector.

Since SFS currently has very limited origination static pool performance on prime auto loans originated under the captive retail program and no securitization performance yet, we placed significant emphasis on peer collateral and performance comparisons. We reviewed peer performance, historical and current, and complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section above). For example, although the SFAST 2023-1 pool may compare similarly to SCART 2020-B by certain key metrics (FICO, LTV, vehicle makes, obligor base), we believe SCART 2020-B's lower loss performance reflects COVID-19-related stimulus benefits that likely will not be realized by SFAST 2023-1.

We factored into our ECNL the limited available performance under SFS' prime retail program from which to project and assess SFS' captive retail underwriting and risk management strategy, and lack of securitization performance since this series represents the first issuance under the program. Overall, our base case expected CNL for SFAST 2023-1 is 3.00%.

Managed Portfolio

Table 5 shows SFS' captive finance managed portfolio delinquency experience for each quarterly period since the start of originations under this line of business in March 2022. The below table reflects performance for the retail portfolio consisting of FICO scores of 670 or greater and maximum LTV ratio of 130%.

Table 5

Managed portfolio

	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Principal amount outstanding (mil. $)	956.912	467.836	253.373	59.253
Number of receivables outstanding	20,524	9,098	4,790	1,079
Delinquencies as % principal balance outstanding				
31-59 days	0.68	0.66	0.10	0.00
60-89 days	0.23	0.19	0.00	0.00
90 days or more	0.18	0.08	0.00	0.00
Total delinquencies	1.09	0.94	0.10	0.00
Delinquencies as % number of receivables outstanding				
31-59 days	0.54	0.58	0.10	0.00
60-89 days	0.19	0.19	0.00	0.00
90 days or more	0.14	0.09	0.00	0.00
Total delinquencies	0.87	0.86	0.10	0.00

Origination Static Pool Analysis

SFS provided vintage origination characteristics for receivables in its managed portfolio that have similar FICO and LTV parameters as the securitized pool (i.e., FICO floor of 670 and LTV ceiling of 130%). Based on the information shown in table 6, each new quarter of originations exhibited improving credit metrics compared to prior quarters, as demonstrated by higher weighted average FICOs, lower LTVs, and lower PTI and DTI. The average amount financed has also steadily decreased quarter-over-quarter, perhaps attributed by higher down payments.

The loans in the SFAST 2023-1 pool were originated in:

- First-quarter 2022 (0.01%);
- Second-quarter 2022 (3.19%);
- Third-quarter 2022 (13.93%);
- Fourth-quarter 2022 (14.98%);
- First-quarter 2023 (41.00%); and
- Second-quarter 2023 (26.89%).

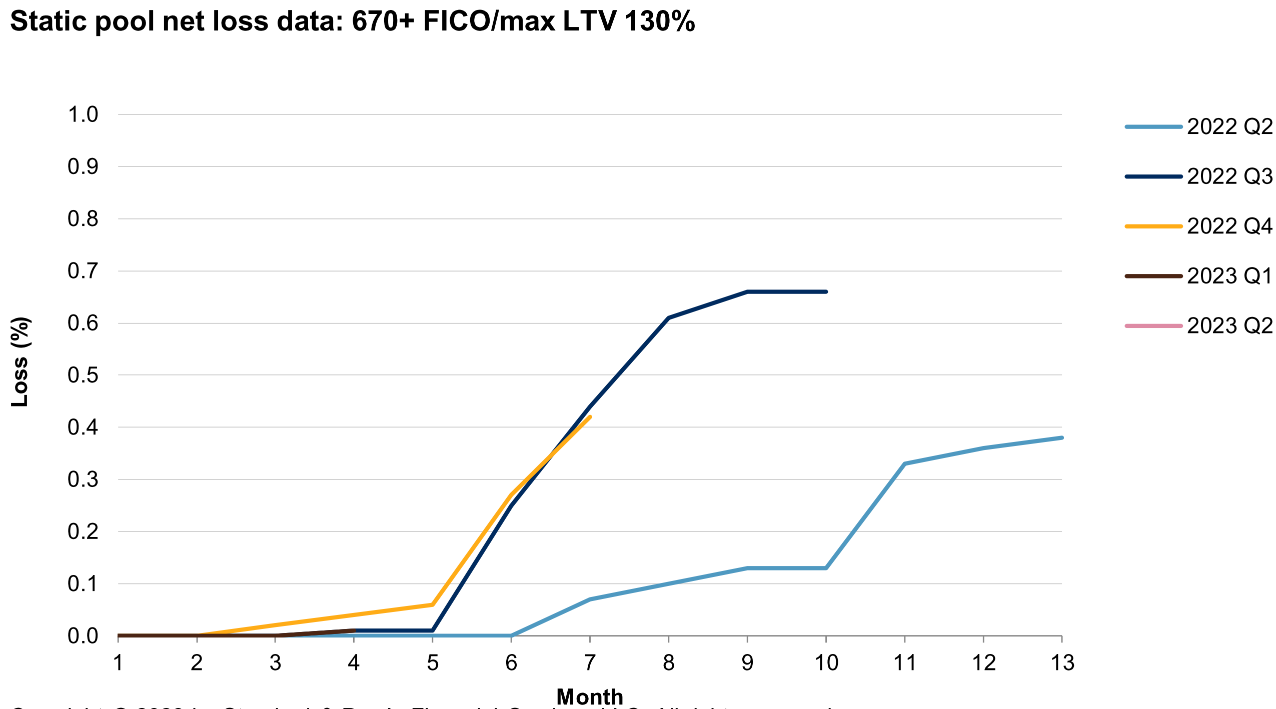
Table 6

Vintage origination characteristics for receivables with a FICO score over 670 and with a maximum LTV ratio of 130%

	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Average amount financed ($)	45,433	53,164	53,522	55,603
Weighted avg. original term	75.23	74.16	73.66	77.25
Weighted avg. FICO score	754	731	739	729
Weighted avg. LTV (%)	97.59	105.56	104.99	110.06
Weighted avg. PTI (%)	8.38	8.90	8.57	9.13
Weighted avg. DTI (%)	29.50	28.26	29.11	30.60
Weighted avg. monthly income ($)	12,819	13,407	13,611	12,877
Down payment (%)	26.65	16.54	17.36	12.04
New (%)	74.29	67.61	73.70	76.29
Subvention (%)	7.48	18.13	28.73	6.10
Small business (%)	5.76	8.87	7.79	4.86

SFS also provided early loss performance on the above quarterly vintages (see chart 1). Given the limited available performance, we were unable to adequately project losses using this information.

Chart 1



Legal Overview and Transaction Structure

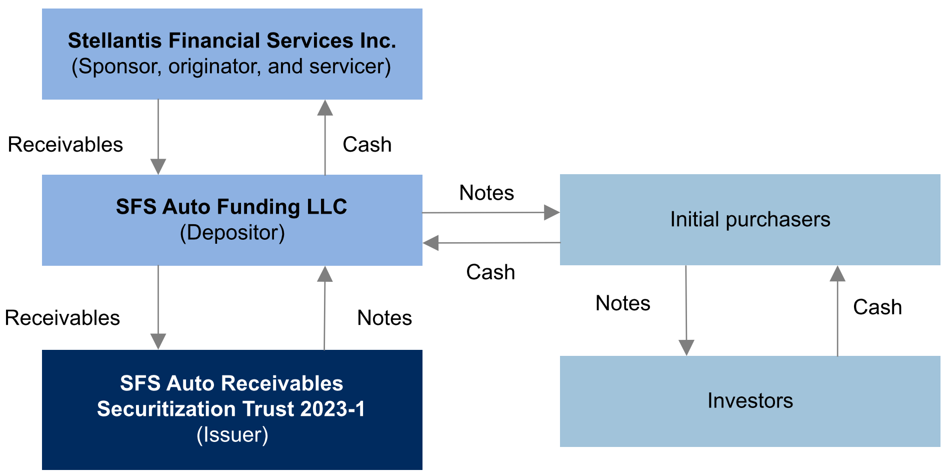
Legal overview

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.

SFAST 2023-1 is structured as a true sale of the receivables from SFS (the originator) to SFS Auto Funding LLC (the depositor), a bankruptcy-remote, multiple-use, special-purpose entity. The depositor, in turn, will transfer and assign the receivables to SFAST 2023-1, the issuing entity. The issuing entity will pledge its right, title, and interest in the receivables to the indenture trustee, which will have a first-priority perfected security interest in the receivables for the noteholders' benefit.

Chart 2

Transaction structure



Payment Structure

Interest and principal on the notes are scheduled to be paid on the 20th day of each month or, if not a business day, the next business day, beginning July 20, 2023. On each payment date prior to an acceleration of the notes following an event of default, available funds will be distributed according to the priority shown in table 7. Funds in the reserve account will be available to cover any shortfalls of required amounts to be paid according to items 1-9 of the payment priority.

Table 7

Payment waterfall

Priority	Payment
1	To the servicer, for reimbursement of any advances.
2	To the servicer, the 1.0% servicing fee and all unpaid servicing fees from prior periods.
3	To the indenture trustee, the owner trustee, and the issuer Delaware trustee, pro-rata, any due and unpaid fees, expenses, and indemnities, up to (a) for the indenture trustee, in the aggregate $175,000 per annum, and (b) for the owner trustee and the issuer Delaware trustee, in the aggregate $125,000 per annum; provided that to the extent such cap is exceeded, each trustee may receive any unused amount of the other trustee's cap up to, in the aggregate, $300,000 per annum.
4	Interest on the class A notes, which will be paid pari passu to the class A-1, A-2-A, A-2-B, A-3, and A-4 noteholders.

Table 7

Payment waterfall (cont.)

Priority	Payment
5	First allocation of principal (the amount by which the class A note balance exceeds the adjusted pool balance), if any, provided that for the final scheduled distribution date of any class A notes, the first allocation of principal amount will equal the amount necessary to reduce the outstanding principal amount of the affected class A notes to zero.
6	Interest on the class B notes.
7	Second allocation of principal (the amount by which the combined principal balance of the class A and B notes exceeds the adjusted pool balance), if any, provided that for the class B notes' final scheduled distribution date, the second allocation of principal amount will equal the amount necessary to reduce the class B notes' outstanding principal amount to zero.
8	Interest on the class C notes.
9	Third allocation of principal (the amount by which the combined principal balance of the class A, B, and C notes exceeds the adjusted pool balance), if any, provided that for the class C notes' final scheduled distribution date, the third allocation of principal amount will equal the amount necessary to reduce the class C notes' outstanding principal amount to zero.
10	To the reserve account, the amount necessary to cause the amount deposited to equal the specified reserve account amount.
11	Regular allocation of principal (the amount by which the aggregate notes balance exceeds the adjusted pool balance minus the target overcollateralization amount, after payment of principal under priorities 5, 7, and 9 above).
12	To the indenture trustee, the owner trustee, and the Delaware trustee, pro-rata, any fees, expenses, and indemnities due that exceed the related cap or annual limitation.
13	All remaining amounts to the certificateholder.

Class A--Collectively, class A-1, A-2-A, A-2-B, A-3, and A-4.

Events of default

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

- A default in the payment of interest due on any note of the controlling class that continues for five business days or more.
- A default in the payment of the principal of any note on its related final scheduled payment date or redemption date.
- Any failure by the issuing entity to duly observe or perform any of its material covenants or agreements made in the indenture which failure has a material adverse effect on the noteholders and which continues unremedied for a period of 90 days after notice.
- Any representation or warranty of the issuing entity made in the indenture that proves to be incorrect in any material respect when made, the failure of which has a material adverse effect on the noteholders and that continues unremedied for a period of 90 days after notice.
- A bankruptcy event of the issuing entity.

Following an event of default, the payment priorities may change. If the event of default is ongoing and the notes have been accelerated, the issuing entity will pay interest and principal first on the class A notes. Interest will be paid pro rata among the class A notes, and principal will be paid first on the class A-1 notes until paid in full, then pro-rata between classes A-2, A-3, and A-4. No interest or principal will be payable on subsequent classes until all principal and interest on the preceding classes of notes have been paid in full.

Cash Flow Modeling Assumptions and Results

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

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

Break-even analysis

For the SFAST 2023-1 transaction, we used a bifurcated-pool method and 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 break-even (maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

Under this approach, we bifurcated the pool between low-APR (subvened) loans and high-APR (non-subvened) loans and applied different prepayment and default assumptions between the two pools. In our bifurcation, we defined low-APR loans as those with APRs less than or equal to 6.00% and high-APR loans as those with APRs greater than 6.00%. We stressed the transaction's excess spread by applying faster prepays and disproportionately higher defaults to the high-APR loans than the low-APR loans. These combined assumptions caused the pool's weighted average APR to decrease faster over time and increases the likelihood that the YSOA will be used for yield enhancement rather than credit enhancement, thereby decreasing break-even loss levels.

Table 8

Break-even cash flow assumptions

Cumulative net loss timing: front-loaded (% of losses per year)	
Subvened(i)	25/55/80/100
Nonsubvened(i)	30/70/90/100
Cumulative net loss timing: back-loaded (% of losses per year)	
Subvened(i)	13/38/58/78/100
Nonsubvened(i)	20/45/65/85/100
Loss allocation (% of total losses)(ii)	
Subvened(i)	15
Nonsubvened(i)	85

Table 8

Break-even cash flow assumptions (cont.)

Voluntary ABS (%)	
Subvened(i)	0.25
Nonsubvened(i)	1.60
Recovery rate (%)	50
Recovery lag (mos.)	4

(i)The subvened/nonsubvened cutoff APR in our stress modeling scenario is 6%. (ii)Disproportionate loss allocation: approximately 22% of the pool with APRs of 6% or below are allocated 15% of total losses, and 78% of the pool with APRs greater than 6% are allocated 85% of total losses. ABS--Absolute prepayment speed. APRs--Annual percentage rates.

We modeled the scenarios assuming the class A-2-B notes are issued at 40% of the maximum total A-2 class (collectively, class A-2-A and A-2-B). Based on our stressed cash flows, the break-even 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).

The class A-2 notes may consist of fixed-rate class A-2-A notes and floating-rate class A-2-B notes, which will accrue interest at a floating rate benchmarked to 30-day average SOFR plus a spread. For the floating-rate tranche, we applied our stressed interest rates for one-month SOFR, as described in our criteria "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019, using a SOFR curve starting at 5.50%.

Table 9

Break-even cash flow results

	Class		
	A	B	C
Preliminary ratings	AAA (sf)	AA (sf)	A (sf)
CNL timing mos. (12/24/36/48/60/72) (%)			
Front-loaded			
Aggregate	29/68/89/100	29/68/89/100	29/68/89/100
Subvened(i)	25/55/80/100	25/55/80/100	25/55/80/100
Nonsubvened(i)	30/70/90/100	30/70/90/100	30/70/90/100
Back-loaded			
Aggregate	21/49/71/93/100	21/49/71/93/100	21/49/71/93/100
Subvened(i)	14/40/61/80/100	14/40/61/80/100	14/40/61/80/100
Nonsubvened(i)	23/51/73/95/100	23/51/73/95/100	23/51/73/95/100
Approximate break-even CNL levels (%)(ii)			
Required	15.0	12.0	9.0
Available	15.5	12.6	9.4

(i)Reflects pool bifurcation at 6.0% APR. (ii)The maximum CNLs the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss.

Sensitivity Analysis

In addition to analyzing break-even cash flows, we conducted a sensitivity analysis using the assumptions in table 8 to see what impact it would have on our preliminary ratings under a moderate ('BBB') stress scenario, all else being equal. Based on our analysis (see table 11 and charts 2 and 3), we believe that under a moderate stress scenario (2.0x our 3.00% expected net loss level), our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023 (see table 10). The net loss coverage multiples in charts 2 and 3 reflect the transaction's remaining credit support, including excess spread, over the remaining losses.

Table 10

Credit stability as a limiting factor on ratings

	Maximum projected deterioration(i) associated with rating levels for one-and three-year horizons under moderate stress conditions					
	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.

Table 11

Scenario analysis summary: moderate stress loss scenario

CNL level (% of initial pool balance)	6.00
CNL timing mos. (12/24/36/48/60/72) (%)	
Front-loaded	
Aggregate	29/68/89/100
Subvened(i)	25/55/80/100
Nonsubvened(i)	30/70/90/100
Back-loaded	
Aggregate	19/44/64/84/100
Subvened(i)	14/40/61/80/100
Nonsubvened(i)	20/45/65/85/100
Loss allocation (% of total losses)(ii)	
Subvened(i)	15
Nonsubvened(i)	85
Voluntary ABS (%)	
Subvened(i)	0.25
Nonsubvened(i)	1.60
Recovery rate (%)	50
Recovery lag (mos.)	4

Table 11

Scenario analysis summary: moderate stress loss scenario (cont.)

(i)Reflects pool bifurcation at 6% APR. (ii)Disproportionate loss allocation: approximately 22% of the pool with APRs of 6% or below are allocated 15% of total losses and 78% of the pool with APRs greater than 6% are allocated 85% of total losses. CNL--Cumulative net loss. ABS--Absolute prepayment speed. APRs--Annual percentage rates.

Chart 3

Sensitivity analysis | front loaded

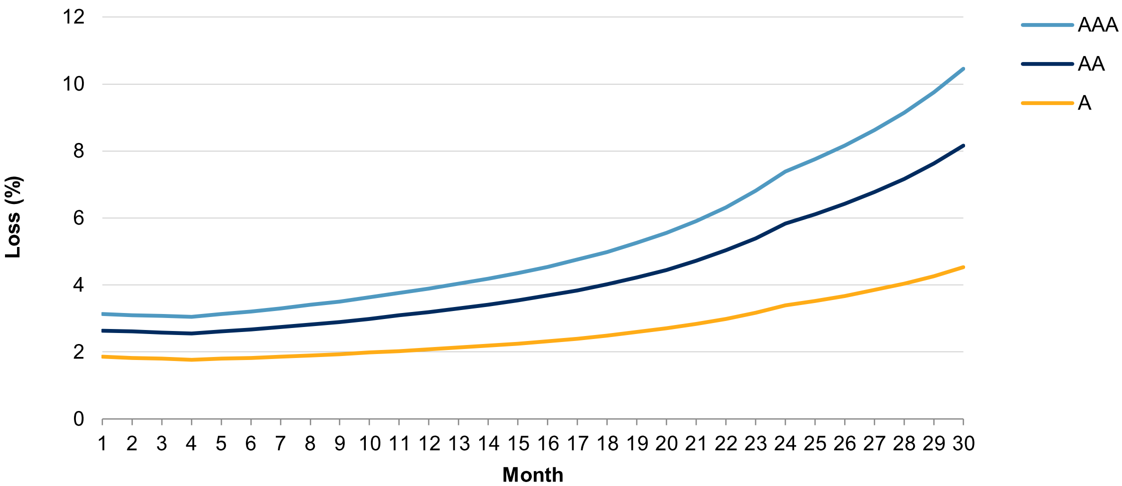
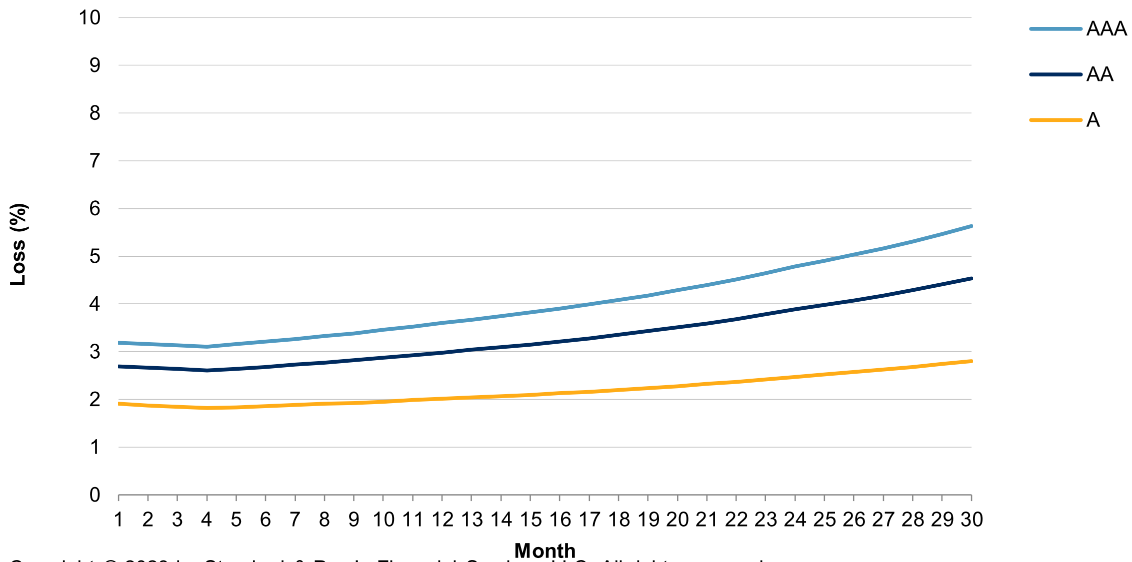


Chart 4

Sensitivity analysis | back loaded



Money Market Tranche Sizing

The proposed legal final maturity date for the money market tranche (class A-1) is July 22, 2024. To test whether the money market tranche can be repaid by the proposed legal final maturity date, we ran cash flows using assumptions to delay the principal collections. In addition to zero defaults, we assumed a 0.5% absolute prepayment speed on high-APR loans and a 0.0% absolute prepayment speed on low-APR loans in our cash flow scenario. Under this scenario, approximately nine months of collections would be sufficient to pay off the money market class.

Legal Final Maturity

To test the legal final maturity dates set for intermediate classes (A-2 through B), we determined when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario, and then added three months to the result. To test the legal final maturity date for the class C notes, we determined the latest maturing loan's distribution date and then added at least eight months to accommodate extensions. Furthermore, in the break-even scenario for each respective rating level, we confirmed that there was sufficient credit enhancement to both cover losses and repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the SFAST 2023-1 bank accounts will be established with the bank account provider, Wilmington Trust N.A. The bank account provider is consistent with our counterparty criteria for a 'AAA' supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

Servicer

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

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 | General: Methodology To Derive Stressed Interest Rates In Structured Finance , Oct. 18, 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

- U.S. Auto Loan ABS Tracker: April 2023 Performance, June 9, 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
- Stellantis' Results Outperform Our 2022 Forecasts, Feb. 28, 2023
- Stellantis N.V., July 12, 2022