S&P Global
Ratings

Research

Presale:

GLS Auto Select Receivables Trust 2024-1

January 10, 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	22.50	Jan. 15, 2025
A-2	AAA (sf)	Senior	Fixed	149.65	March 15, 2030
B	AA (sf)	Subordinate	Fixed	13.24	March 15, 2030
C	A (sf)	Subordinate	Fixed	19.46	March 15, 2030
D	BBB (sf)	Subordinate	Fixed	19.69	Jan. 15, 2031

Note: This presale report is based on information as of Jan. 10, 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 for each class will be determined on the pricing date.

Profile

Collateral	Nonprime auto loan receivables.
Originator, sponsor, servicer, custodian, and seller	Global Lending Services LLC.
Depositor	GLS Auto Receivables LLC.
Issuer	GLS Auto Select Receivables Trust 2024-1.
Indenture trustee, backup servicer, and bank account provider	UMB Bank N.A. (A-/Stable/A-2).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).

Rationale

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

- The availability of approximately 33.5%, 28.2%, 21.7%, and 16.1% of credit support (hard credit enhancement and haircut to excess spread) for the class A (A-1 and A-2 collectively), B, C and D, respectively, based on stressed cash flow scenarios. These credit support levels provide at least 3.70x, 3.12x, 2.39x, and 1.78x our 9.00% expected cumulative net loss (ECNL) for the class A, B, C, and D notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).

- The expectation that under a moderate ('BBB') stress scenario (1.78x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', and 'BBB (sf)' ratings on the class A, B, C, and D notes, respectively, are within our credit stability limits (see the Cash Flow Modeling Assumptions And Results section below).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios for the assigned preliminary ratings.
- The collateral characteristics of the series' nonprime 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 UMB Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Global Lending Services LLC (GLS), as servicer, and our view of the company's underwriting and backup servicing arrangement with UMB Bank N.A.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors that are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our expected cumulative net loss (ECNL) for GSAR 2024-1 is 9.00%, which is unchanged from GSAR 2023-2. It reflects:

- The performance of GLS' historical static origination with collateral characteristics in-line to those of the GSAR 2024-1 collateral pool.
- The transaction's collateral characteristics relative to those of its peers (see table 4).
- Our forward-looking view of the auto finance sector, including our outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance

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).

The transaction's 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. While the adoption of electric vehicles and future regulation could lower ICE vehicle values, 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.

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

GLS Nonprime Transaction

GSAR 2024-1 is the second GLS nonprime auto loan ABS transaction rated by S&P Global Ratings. The transaction will be backed by a pool of fixed-rate retail nonprime automobile loan contracts secured by new and used automobiles, light duty trucks, minivans, and sport utility vehicles purchased by borrowers who generally have credit bureau scores ranging from 620 to 800.

GLS has been offering auto loan financing to customers under its nonprime program (GLS Select or Select) since October 2021. The GLS Select loans are originated from the same channels as the company's subprime business, with most of the receivables for GSAR 2024-1 emanating from GLS' CORE and Ally origination channels. Similarly, the Select collateral is underwritten utilizing the same analytics, data, and scorecard infrastructure that are used to underwrite GLS subprime loans. The Select loans are most comparable to GLS' tier 1 subprime loans (the highest credit quality subprime loans) but with materially higher FICO score and proprietary score (Escore), given the parameters of the Select program (see table 1). The Select loans' minimum FICO score and Escore cutoffs are currently 620 and 710, respectively, and the maximum loan term is 75 months.

Table 1

GSAR collateral characteristics

	GSAR 2024-1	GCAR subprime Tier 1	GCAR 2023-4
WA FICO score	688	565	591
WA Escore	769	753	667
WA APR (%)	16.4	18.7	21.4
WA PTI (%)	10.3	10.5	11.7
WA LTV (%)	120	120.9	118.5
WA original term (month)	73.3	71.3	70.4

GSAR--GLS Auto Select Receivables Trust. GCAR--GLS Auto Receivables Issuer Trust. WA--Weighted average. Escore--Global Lending Services LLC's proprietary score.

Credit Enhancement And Collateral

GSAR 2024-1 structural features

Notable changes to credit enhancement compared with GSAR 2023-2 include:

- Total initial hard credit enhancement for the class A, B, C, and D decreased to 26.25%, 20.50%, 12.05%, and 3.50%, respectively, from 27.25%, 21.90%, 13.45% and 4.75% (see table 2).
- Subordination for class A increased to 22.75% from 22.50% and decreased for class B and C to 17.00% and 8.55%, respectively, from 17.15% and 8.70%.
- Initial overcollateralization is 2.50% of the initial collateral pool balance and will grow to a target of 4.75% of the current pool balance plus 1.50% of the initial pool balance.
- The pre-pricing estimated excess spread increased to 8.43% from 7.76%.

The change in the initial hard credit enhancement partly reflects the higher estimated excess spread for GCAR 2024-1 (see table 1). Our stressed cash flow results indicate that the notes are enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 2

Credit enhancement summary (%)

	GSAR 2024-1	GSAR 2023-2	GSAR 2023-1(i)
Subordination(ii)			
Class A	22.75	22.50	20.10
Class B	17.00	17.15	13.35
Class C	8.55	8.70	8.20
Class D	-	-	-
Overcollateralization			
Initial(ii)	2.50	3.75	1.50
Target(iii)	4.75	5.20	5.00
Floor(ii)	1.50	1.50	1.50
Reserve fund			
Initial(ii)	1.00	1.00	1.00
Target(ii)	1.00	1.00	1.00
Floor(ii)	1.00	1.00	1.00
Total initial hard credit enhancement(ii)			
Class A	26.25	27.25	22.60
Class B	20.50	21.90	15.85
Class C	12.05	13.45	10.70
Class D	3.50	4.75	2.50
Estimated excess spread per year(iv)	8.43	7.76	N.A.

Note: Class A represents classes A-1 and A-2, collectively, for GSAR 2024-1, and classes A-1, A-2, and A-3 for other GSAR series. (i)Not rated by S&P Global Ratings. (ii)Percentage of the initial collateral pool balance. (iii)The overcollateralization target amount equals the stated percentage of the current pool balance plus 1.50% of the initial pool balance. (iv)Includes the 1.50% servicing fee. GSAR--GLS Auto Select Receivables Trust. N.A.--Not available.

Collateral changes from GSAR 2023-2

Notable changes to collateral in the GSAR 2024-1 statistical pool (as of Nov. 30, 2023) compared with the GSAR 2023-2 statistical pool include:

- The weighted average non-zero FICO score increased to 688 from 684.
- The weighted average annual percentage rate (APR) increased slightly to 16.45% from 16.22%.
- The percentage of loans backed by new vehicles increased to 16.87% from 15.55%.
- The percentage of collateral originated through the Core platform was largely unchanged, at approximately 49.00%, while the percentage of collateral originated through the Ally channel decreased to approximately 28.00% from 30.00%.

Tables 3 and 4 show collateral comparisons of various GSAR pools, including GSAR 2024-1, and its peers. However, unlike its peers, GSAR 2024-1 has a larger proportion of collateral with 73- to 75-month terms. The GSAR 2024-1 final collateral pool as of the Dec. 31, 2023, cutoff date, is not expected to be materially different from the statistical pool. We accounted for this in our ECNL (see the S&P Global Ratings' Expected Loss section below).

Table 3

Collateral comparison(i)

	GSAR 2024-1	GSAR 2023-2	GSAR 2023-1(ii)
Pool balance (mil. $)	163.62	250.72	345.96
No. of receivables	6,023	9,096	12,377
Avg. principal balance ($)	27,166	27,564	27,952
WA APR (%)	16.45	16.22	14.84
WA original term (mos.)	73.26	73.29	73.56
WA remaining term (mos.)	72.49	72.33	72.36
WA seasoning (mos.)	0.77	0.97	1.20
Original term of 61-72 mos. (%)	31.23	31.42	27.0
Original term of 73-75 mos. (%)	67.73	67.80	72.0
New vehicles (%)	16.87	15.55	17.15
Used vehicles (%)	83.13	84.45	82.85
WA mileage	53,330	54,529	50,400
WA LTV ratio (%)	120.01	119.41	119.56
WA PTI ratio (%)	10.28	10.31	10.20
WA non-zero FICO score(iii)	688	684	687
FICO score (%)			
Minimum FICO score	620	620	N.A.
<=650	28.70	31.37	24.76
651–675	20.82	21.22	26.17
676–700	15.73	15.91	17.43
701–725	11.81	10.85	10.67
>=726	22.95	20.66	20.97
Proprietary score (%)			
Minimum(iv)	710	710	N.A.
WA proprietary credit score	769	769	765
<=725	17.65	18.14	22.05
726-750	25.37	24.80	22.71
751-775	20.08	20.01	19.40
>=776	36.90	37.05	35.83
Top two origination channel (%)			
CORE	49.06	48.84	48.76
Ally	27.53	29.99	29.49

Table 3

Collateral comparison(i) (cont.)

	GSAR 2024-1	GSAR 2023-2	GSAR 2023-1(ii)
Top three state concentrations (%)			
	TX=15.08	CA=15.45	CA=17.26
	CA=14.72	TX=14.81	TX=15.13
	FL=11.98	FL=12.20	FL=11.42

(i)All percentages are of the principal balance. (ii)Not rated by S&P Global Ratings. (iii)The originator may use a VantageScore® for certain obligors where a FICO score is unavailable. (iv)The minimum proprietary score (Escore) for Select loans is currently 710. However, the GSAR 2024-1 pool includes older originations with Escores as low as 698. GSAR--GLS Auto Select Receivables Trust. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value. PTI--Payment-to-income. N/A--Not applicable. N.A.--Not available.

Table 4

Peer collateral comparison

	GSAR 2024-1	FCRT 2023-2	FIAOT 2023-1	AMCAR 2023-1
Principal balance (mil $)	163.62	178	209	1,363
No. of contracts	6,023	7,941	10,691	49,131
Avg. loan balance	27,166	22,466	19,517	27,741
WA APR (%)	16.45	15.93	15.26	12.28
WA LTV ratio (%)	120	111	121	106
WA FICO score (%)	688	645	592	589
WA original term (mos.)	73.26	72.10	71.26	74.00
WA remaining term (mos.)	72.49	64.80	64.69	67.00
Seasoning	0.77	7.40	6.57	7.00
Contracts of 61-72 months (%)	31.23	63.59	95.14	59.55
Contracts of 73-75 months (%)	67.73	31.58	--	15.48
New vehicles (%)	16.87	7.38	2.34	31.74
Used vehicles (%)	83.13	92.62	97.66	68.26
Top three state concentrations (%)				
	TX=15.08	TX=12.85	TX=15.33	TX=20.22
	CA=14.72	GA=7.26	FL=10.38	FL=8.39
	FL=11.98	MO=6.37	CA=8.11	OH=5.77
Original lifetime CNL exp. (%)	9.00	9.25	10.25	10.00

GSAR--GLS Auto Select Receivables Trust. FCRT--Foursight Capital Automobile Receivables Trust. FIOAT--First Investors Auto Owner Trust. AMCAR--AmeriCredit Automobile Receivables Trust. WA--Weighted average. APR--Annual percentage rate. LTV--Loan-to-value. CNL exp.--Cumulative net loss expectations.

Macroeconomic And Auto Finance Sector Outlook

In our analysis, we considered the economic data and forecasts outlined in table 5 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 continues 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 our 2023 forecasted GDP growth of 2.4% because we believe the market's resiliency will be tested going forward as real interest rates stay relatively high in 2024 and the lags of tightened monetary policy feed through the economy. Other reasons for caution include:

- Real disposable income has declined for four consecutive months, with the savings rate falling to a very low 3.4% in September 2023 (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. 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 represents about 14.0% 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 and lease payments before their other consumer and student loan payments.

We also expect weaker economic growth will cause demand for labor to decrease further and forecast unemployment rate rising 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). Unemployment benefit claims continue to rise above the 2019 average, which suggests that it has become more difficult for people to find jobs 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 been a harbinger of a recession.

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 continue to normalize to historical levels.

Table 5

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.

S&P Global Ratings' Expected Loss: 9.00%

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

- The series' collateral characteristics relative to those of its peers (see table 4 above),
- GLS' managed portfolio performance, and
- Origination static pool performance data on GLS' Select loans (see charts 1-2 below).

Given the limited performance history (less than two years) of the GLS Select loans, we placed more emphasis on origination static pool analysis and comparison to peers when determining the expected loss for GSAR 2024-1. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic and Auto Finance Sector Outlook section above).

Overall, we expect GSAR 2024-1 to experience lifetime cumulative net losses (CNLs) of 9.00%, unchanged from GSAR 2023-2

Managed Portfolio

GLS's managed portfolio, for loans originated and serviced under its nonprime GLS Select origination program, increased to $1.44 billion as of Sept. 30, 3023, from $0.76 billion a year earlier. Total delinquencies were 5.19%, up from 2.78% a year earlier. Delinquencies in the 31- to 60-day bucket and 61– to 90-day bucket were also higher over the same period, and annualized net losses as a percentage of the average amount outstanding increased to 2.14% from 0.69%. We attribute this performance to ongoing normalization to pre-pandemic levels and recent economic headwinds, including inflationary pressures. Vehicle recovery rates, while still strong relative to historical standards, are normalizing. This, together with rising inflation, is impacting vehicle affordability and borrowers' ability to meet their monthly payment obligations.

Table 6

Managed portfolio(i)

	As of Sept. 30		As of Dec. 31	
	2023	2022	2022	2021
Principal amount outstanding end of period ($)(ii)	1,442,318,207	755,673,407	913,379,655	127,512,934
Delinquencies (%)				
31-60 days(iii)	3.71	2.02	2.81	0.12
61-90 days	1.13	0.60	0.73	0.00
90-plus days	0.35	0.16	0.27	0.00
Total delinquencies as a % of principal amount outstanding(iv)	5.19	2.78	3.81	0.12
Net charge-offs				
Average principal amount outstanding during the period ($)	1,221,946,364	472,296,212	569,751,541	77,343,874

Table 6

Managed portfolio(i) (cont.)

	As of Sept. 30		As of Dec. 31	
	2023	2022	2022	2021
Net charge-offs as a % of average principal outstanding	2.14	0.69	0.97	0.00

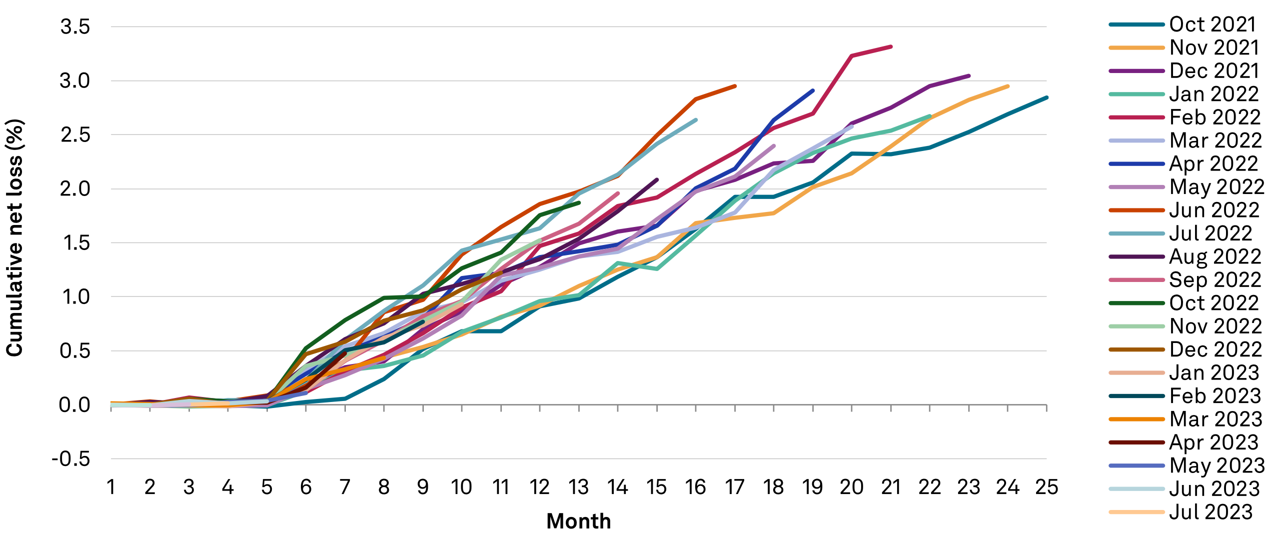
(i)All amounts and percentages are based on the principal balances of the automobile loan contracts and may not add up to the total due to rounding. (ii)These amounts include only loans originated and serviced under its nonprime Select origination program. They do not include GLS subprime automobile loan contracts. (iii)The amounts shown do not include automobile loan contracts that are less than 31 days delinquent. (iv)Do not include repossessed assets.

Origination static pool analysis

GLS' static pool loss performance data generally reflect the loan and obligor characteristics of the securitized pool. We analyzed performance data on the origination static pool in aggregate, as well as by cohorts consistent with this series' pool. Our analysis is based on approximately 20 months of static pool performance data of GLS Select loans, and comparison to GLS' subprime core loans and peers with similar collateral performance and characteristics (see charts 1-2).

Chart 1

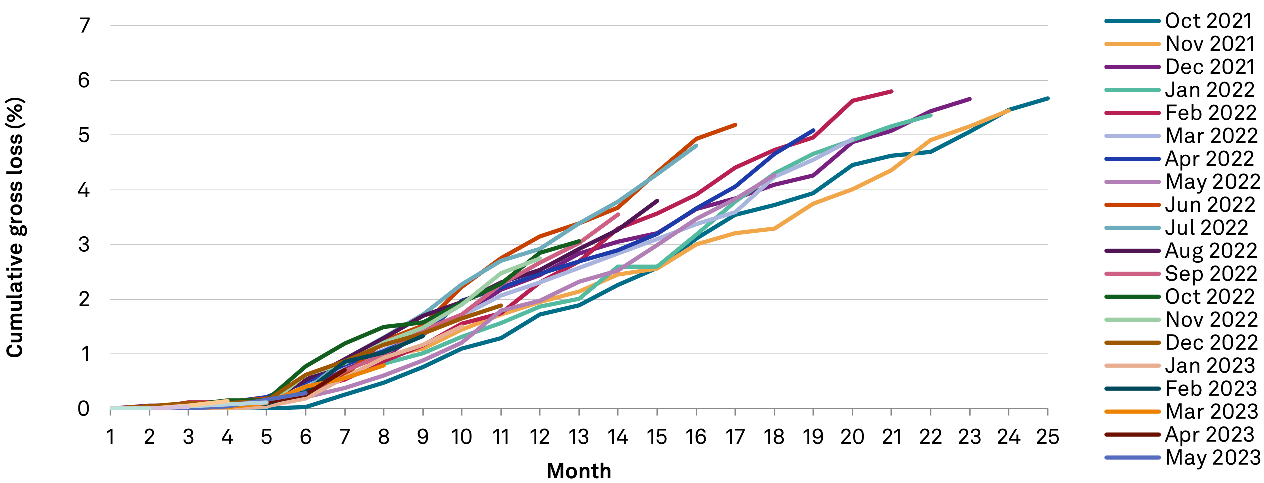
GLS Auto Select Receivables Trust's origination static pool performance - CNL



CNL--Cumulative net loss.

Chart 2

GLS Auto Select Receivables Trust's origination static pool performance - CGL



CGL--Cumulative gross loss.

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 from GLS (the seller) to GLS Auto Receivables LLC (the depositor) according to a purchase agreement. The depositor will then sell the receivables to the issuing entity according to the sale and servicing agreement.

The issuing entity, GLS Auto Select Receivables Trust 2024-1, a newly formed special-purpose Delaware statutory trust, will issue the notes and the certificate to the depositor in exchange for the transfer of the receivables. The depositor will represent and warrant that the indenture trustee, acting on the noteholders' behalf, will have a first priority perfected security interest in the auto loan contracts by reason of the indenture and the filing of a UCC-1 financing statement by the issuing entity in the state of Delaware, which will give notice of the security interest in favor of the indenture trustee (see chart 3).

Transaction structure

GSAR 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 2.50% of the initial pool balance that will build to a target of

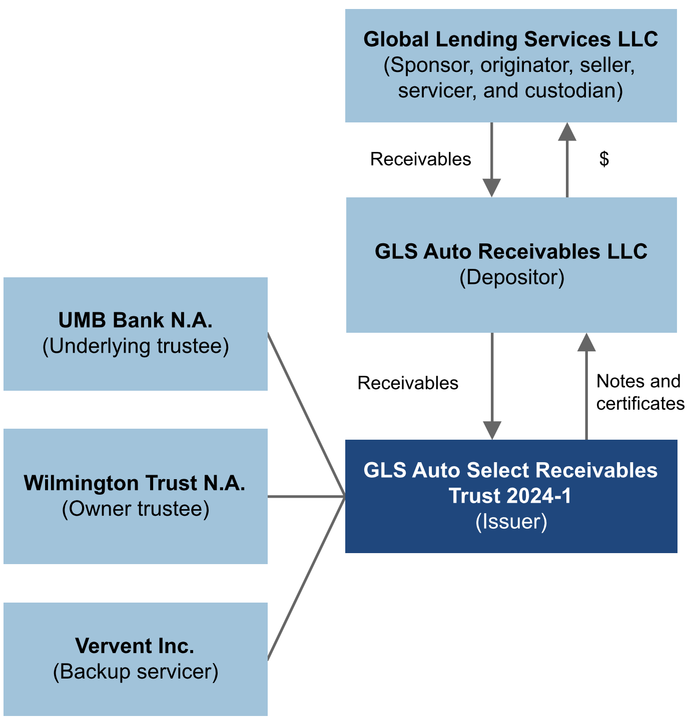
4.75% of the current pool balance plus 1.50% of the initial pool balance by using any excess spread available after covering net losses to pay principal on the outstanding notes.

- A nonamortizing reserve account amount that will equal 1.00% of the initial collateral balance.
- Excess spread (to the extent available after covering net losses) to pay principal on the outstanding notes. Excess spread is estimated to be 8.43% per year.
- An optional clean-up call of 5.00% of the initial pool balance.

Chart 3 shows the transaction structure.

Chart 3

Transaction structure



Payment Priority

Payment distribution before an event of default

Before an event of default, distributions will be made from available funds, on each payment date according to the priority shown in table 7.

Table 7

Payment waterfall

Priority	Payment
1	To the servicer, the servicing fee (1.50%), any supplemental servicing fees, any reimbursements for mistaken deposits, and any other related amounts. To any successor servicer, the transition fees up to the specified cap of $75,000.
2	To the indenture trustee, custodian, owner trustee, underlying trustee, and backup servicer, any accrued and unpaid fees, expenses, and indemnities, capped at $125,000 annually for the indenture trustee and backup servicer, $50,000 annually for the owner trustee, and $25,000 annually for the custodian.
3	Class A note interest, pro rata.
4	Principal to reduce the class A principal balance by the make-whole amount, if any; then to the extent necessary to reduce the class A principal balance to the pool balance (the class A principal parity amount); and then to pay the remaining class A principal amount on its final scheduled distribution date.
5	Class B note interest.
6	After paying item 4 above, principal to the extent necessary to reduce the combined class A and B principal balance to the pool balance (the class B principal parity amount); and then to pay the remaining class B principal amount on its final scheduled distribution date.
7	Class C note interest.
8	After paying items 4 and 6 above, principal to the extent necessary to reduce the combined class A, B, and C principal balance to the pool balance (the class C principal parity amount); and then to pay the remaining class C principal amount on its final scheduled distribution date.
9	Class D note interest.
10	After paying items 4, 6, and 8 above, principal to the extent necessary to reduce the combined class A, B, C, and D principal balance to the pool balance (the class D principal parity amount); and then to pay the remaining class D principal amount on its final scheduled distribution date.
11	To the reserve account, the amount necessary to achieve the specified reserve account amount.
12	Principal sequentially to achieve the specified overcollateralization amount (the principal payment amount).
13	To the indenture trustee, owner trustee, underlying trustee, custodian, backup servicer, and any successor servicer, any fees, expenses, and indemnities that exceed the related cap or annual limitation.
14	To the servicer, any previously waived or deferred servicing fee and supplemental servicing fee.
15	To the sponsor, any administrative expenses, up to the specified cap of $25,000, annually.
16	All remaining amounts to the certificateholders.

Events of default

Each of the following will constitute an event of default:

- A default in the interest payment on the senior-most class of notes that remains uncured for five days.
- A default in the principal payment on any class' final scheduled distribution date.
- The issuer failing to observe or perform any of its material covenants or agreements, or its representations or warranties being materially incorrect and not cured for 45 days (up to 90 days in certain cases). This requires notice by the indenture trustee or holders of more than 50.0% of the senior-most class.
- The issuer becoming insolvent.

Payment distribution after an event of default

On each payment date, following an event of default related to a breach of a covenant, agreement, representation, or warranty and the acceleration of the notes, available funds will be distributed as outlined in table 8. However, the payment in item 14 will include all available funds until the total note balance has been reduced to zero, and the fees, expenses, and indemnities in items 1 and 2 will not be limited.

On each payment date, if an event of default (except when solely from a covenant, agreement, representation, or warranty breach), the acceleration of the notes, or the trust assets' liquidation has occurred, available funds will instead be distributed in the priority shown in table 8.

Table 8

Payment waterfall following an event of default other than covenant, agreement, or representation and warranty breaches

Priority	Payment
1	To the servicer, custodian, owner trustee, underlying trustee, indenture trustee, and backup servicer, certain amounts due and owing to those entities without caps.
2	Class A note interest.
3	Class A note principal sequentially between classes A-1, A-2, and A-3 until paid in full.
4	Class B note interest.
5	Class B note principal until paid in full.
6	Class C note interest.
7	Class C note principal until paid in full.
8	Class D note interest.
9	Class D note principal until paid in full.
10	To the sponsor, any administrative expenses, up to the specified cap of $25,000, annually.
11	All remaining amounts to the certificateholders.

Servicer termination events

a servicing termination will occur upon any of the following:

- The servicer fails to deliver any required payment to the indenture trustee and it remained unremedied for two business days.
- The servicer fails to deliver the servicer's certificate by the first business day before the distribution date; or, if the failure resulted from an unforeseen event, on or before the fifth business day after the related distribution date.
- The servicer fails to observe or perform any covenant or agreement materially, which adversely affects the noteholders' rights, and it remains unremedied for 45 days.
- The servicer becomes insolvent.
- Any materially incorrect servicer representation, warranty, or statement remains unremedied

for 45 days.

If a servicer termination occurs, the indenture trustee or a majority of the noteholders holding the senior-most class can terminate the servicer's rights and obligations.

Cash Flow Modeling Assumptions And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. 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.

We performed our cash flow modeling scenarios on the $230.30 million cutoff collateral pool as of Dec. 31, 2023, which is not expected to be materially different from the statistical pool of $163.62 million as of Nov. 30, 2023 (as shown in the Credit Enhancement And Collateral section above and table 3).

Break-even analysis

For this transaction, we applied the assumptions outlined in table 9 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 levels (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 break-even requirement.

Based on our stressed cash flows, the break-even net loss results show that the class A, B, C, and D notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 10).

Table 9

Break-even cash flow assumptions

Voluntary ABS (%)	1.20
Servicing fee (%)	1.50
Recovery rate (%)	45
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24/36/48/60) (%)	
Front-loaded loss curve	35/65/90/100
Back-loaded loss curve	25/55/80/95/100

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

Table 10

Break-even cash flow results

	Class			
	A	B	C	D
Preliminary rating	AAA (sf)	AA (sf)	A (sf)	BBB (sf)

Table 10

Break-even cash flow results (cont.)

	Class			
	A	B	C	D
CNL timing mos. (12/24/36/48/60) (%)				
Front-loaded loss curve	35/65/90/100	35/65/90/100	35/65/90/100	35/65/90/100
Back-loaded loss curve	28/62/90/100	26/57/83/98/100	25/55/80/95/100	25/55/80/95/100
Approx. break-even CNL levels (%)(i)				
Required	33.3	28.1	21.5	16.0
Available: front-loaded loss curve	33.5	28.2	21.7	16.5
Available: back-loaded loss curve	33.8	29.3	22.4	16.1

(i)The maximum cumulative net losses, with 90% credit to any excess spread, that the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss.

Sensitivity analysis

In addition to running break-even cash flows, we undertook a sensitivity analysis using the assumptions outlined in table 9 above. We believe that under a moderate ('BBB') stress scenario (1.78x of the 9.00% 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 in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 10, 2023 (see also table 11 and charts 4-5).

Table 11

Maximum projected deterioration under moderate stress conditions(i)

	Stress scenarios				
Horizon	**AAA**	**AA**	**A**	**BBB**	**BB**
One year	AA	A	BB	B	CCC
Three years	BBB	BB	B	CCC	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 4

BBB' sensitivity loss coverage multiples (front-loaded loss curve)

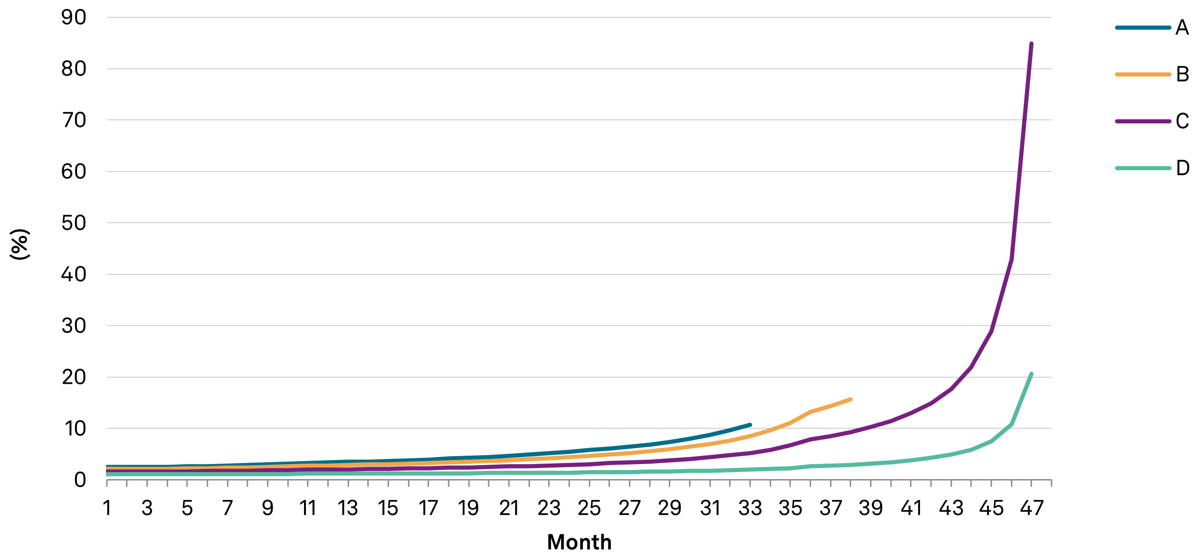
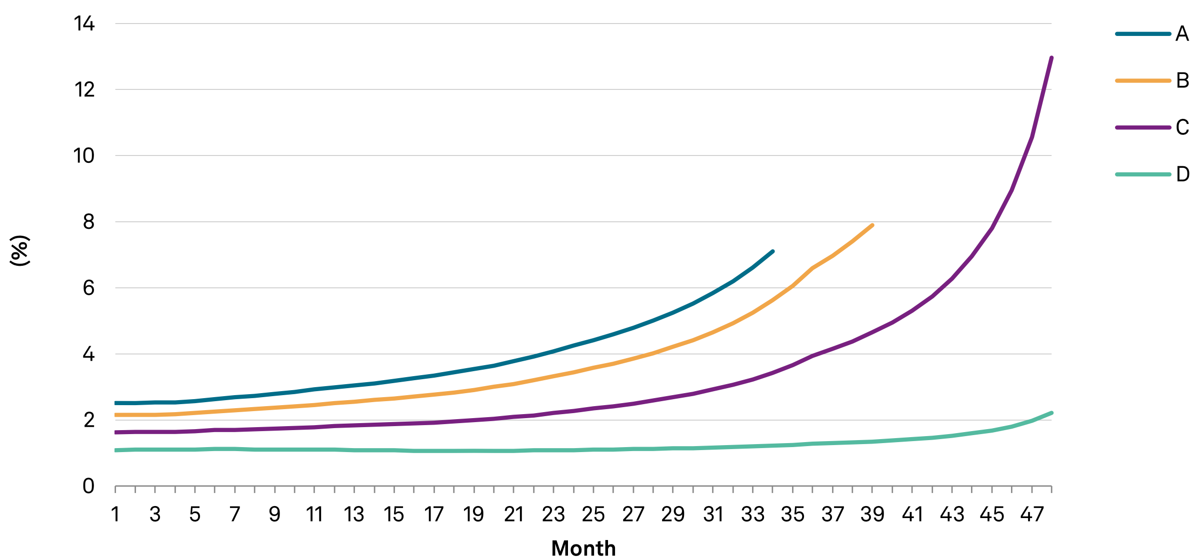


Chart 5

BBB' sensitivity loss coverage multiples (back-loaded loss curve)



Money market tranche sizing

The proposed money market tranche's (class A-1) legal final maturity date is Jan. 15, 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 analysis, and we checked that approximately 11 months of principal collections would be sufficient to pay off the money market tranche.

Legal final maturity

To test the legal final maturity dates set for classes A-2, B, and C, we determined the date when the respective notes would be fully amortized in a zero-loss, zero-prepayment scenario and then added three months to that date. For the longest-dated security (class D), we added nine months to the tenor of the longest-dated receivable in the pool to accommodate extensions on the receivables. Further, in the break-even 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

Bank account provider

The series bank accounts will be established in the name of the indenture trustee, UMB Bank N.A. (A-/stable/A-2), 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).

GLS has a long history in the subprime auto finance business. As servicer, GLS has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A backup servicer, UMB Bank N.A, is engaged for the outstanding series, which, along with the loan file subcustodians, Global Lending Services LLC, would enable servicing transition if necessary. Commingling risk is addressed in this transaction by the requirement that all payments are deposited to a lockbox account to which the servicer's access is limited. Payments are then transferred to a deposit account in the name of the special-purpose entity and held with an eligible counterparty. Our operational risk assessment of GLS as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

GLS will act as custodian of the loan contracts and the related loan files. The transaction documents contain provisions for transition of the custodian to the indenture trustee under certain events.

Regulatory

GLS and the key transaction parties could be subject to various regulatory investigation and/or legal proceedings that may arise in their ordinary course of business. We will continue to assess any such events to determine the impact, if any, on our counterparty and operational risk assessments.

GLS

GLS is a Delaware limited liability company that was formed on Oct. 28, 2011. GLS has been operating in the automobile finance business since 2012 and has been offering financing to customers under its Select origination program since October 2021. GLS is an independent auto finance company that buys auto retail installment sales contracts secured by new and used vehicles from automobile dealers. The company is headquartered in Greenville, S.C., where most of its operations are located. It also has a servicing center in Tempe, Ariz.

GLS primarily offers financing to consumers who are unable to obtain financing from traditional financing sources, such as banks, credit unions, and captive automobile finance companies. GLS's typical Select customer may have experienced prior credit difficulties or have a limited credit history and generally has a FICO score ranging from 620 to 800.

As of Sept. 30, 2023, GLS operated in 48 states, maintained a dealer network of over 14,500 automobile dealerships, and had 1,038 full-time employees. GLS also had assets totaling approximately $5.34 billion and approximately $491.74 million in loss absorbing capital. GLS serviced portfolio comprised 309,279 automobile loan contracts with an aggregate principal balance of approximately $5.83 billion as of Sept. 30, 2023, including 55,582 near-prime automobile loan contracts (approximately $1.44 billion).

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: October 2023 Performance, Dec. 11, 2023
- 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