Presale:

Prestige Auto Receivables Trust 2023-1

April 26, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)	Legal final maturity
A-1	A-1+ (sf)	Senior	Fixed	41.10	May 15, 2024
A-2	AAA (sf)	Senior	Fixed	90.16	March 16, 2026
B	AA (sf)	Subordinate	Fixed	43.59	April 15, 2027
C	A (sf)	Subordinate	Fixed	40.95	Feb. 15, 2028
D	BBB (sf)	Subordinate	Fixed	32.03	April 16, 2029
E	BB- (sf)	Subordinate	Fixed	34.23	May 15, 2030

Note: This presale report is based on information as of April 26, 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. (i)The coupons for each class will be determined on the pricing date.

Profile

Collateral	Subprime auto loan receivables.
Issuer	Prestige Auto Receivables Trust 2023-1.
Contributor, sponsor, servicer, and custodian	Prestige Financial Services Inc.
Depositor	Prestige Receivables Corp. II.
Indenture trustee and backup servicer	Citibank N.A. (A+/Stable/A-1).
Owner trustee	Computershare Delaware Trust Co.
Bank account provider	Citibank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to Prestige Auto Receivables Trust 2023-1's (PART 2023-1) automobile receivables-backed notes reflect :

- The availability of approximately 58.78%, 49.68%, 39.52%, 30.56% and 24.29% credit support (hard credit enhancement and haircut to excess spread) for the class A, B, C, D, and E notes, respectively, based on stressed cash-flow scenarios. These credit support levels provide at least 3.10x, 2.60x, 2.10x, 1.60x, and 1.27x coverage of our expected cumulative net loss (ECNL) of 18.75% for the class A, B, C, D, and E 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 (1.60x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA (sf)', 'A (sf)', 'BBB (sf)', and 'BB- (sf)'ratings on the class A, B, C, D, and E 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, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the subprime automobile loans securitized in this transaction, our view of the credit risk of the collateral, and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections below).
- Our assessment of the series' bank accounts at Citibank N.A. (Citibank), which does not constrain the preliminary ratings.
- Our operational risk assessment of Prestige Financial Services Inc. (Prestige) as servicer, and our view of the company's underwriting and the backup servicing with Citibank.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for PART 2023-1 is 18.75%, up from 16.00% for PART 2022-1. It reflects:

- Our analysis of the performance of the outstanding PART transactions relative to our initial or revised loss expectations, particularly PART 2022-1 and 2021-1, which are trending worse than our initial expectations.
- Our view that the series 2023-1 collateral characteristics are somewhat stronger relative to series 2022-1, primarily due to the increased percentage of open bankruptcy collateral, which has historically experienced lower losses, and the inclusion of called collateral from PART 2018-1.
- Our forward-looking view of the economy including our outlook for a shallow recession later this year.

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," March 31, 2021).

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

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

Credit Enhancement And Collateral

Structural changes from PART 2022-1

- Total initial hard credit enhancement (consisting of subordination, overcollateralization, and the reserve account) increased for classes A, B, C, D, and E to 59.00%, 45.05%, 31.95%, 21.70%, and 10.75%, respectively, from 51.25%, 41.50%, 30.70%, 19.45%, and 10.25%.
- Subordination for the class A, B, C and D notes increased to 48.25%, 34.30%, 21.20% and 10.95%, respectively, from 41.00%, 31.25%, 20.45% and 9.20%.
- Initial overcollateralization increased to 9.75% (from 9.00%) of the initial collateral pool balance, and the target overcollateralization increased to 19.65% (from 16.75%) of current collateral pool balance plus 2.00% of initial collateral pool balance. The floor is unchanged at 2.00% of the initial collateral pool balance.
- Pre-pricing excess spread is estimated to be 9.85% (from 9.00%, post pricing).

The increase in initial hard credit enhancement reflects our higher ECNL of 18.75%, up from series 2022-1's 16.00%. Our stressed cash flow results indicate that each class in the series 2023-1 transaction is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

PART credit enhancement summary (%)

	2023-1	2022-1	2021-1	2020-1	2019-1
Subordination (i)					
Class A	48.25	41.00	41.35	42.65	34.95
Class B	34.30	31.25	28.15	30.90	24.50
Class C	21.20	20.45	13.75	15.90	12.50
Class D	10.95	9.20	4.55	8.90	2.65
Class E	N/A	N/A	N/A	N/A	N/A
Overcollateralization					
Initial(i)	9.75	9.00	5.00	6.50	6.75
Target(ii)	19.65 + 2.00%	16.75 + 2.00%	8.15 + 2.00%	18.50 + 2.00%	15.60

Table 1

PART credit enhancement summary (%) (cont.)

	2023-1	2022-1	2021-1	2020-1	2019-1
Floor(i)	2.00	2.00	2.00	2.00	2.00
Reserve account(i)					
Initial	1.00	1.25	1.00	1.00	1.00
Target	1.00	1.25	1.00	1.00	1.00
Floor	1.00	1.25	1.00	1.00	1.00
Total initial hard credit enhancement(i)					
Class A	59.00	51.25	47.35	49.15	42.70
Class B	45.05	41.50	34.15	37.40	32.25
Class C	31.95	30.70	19.75	22.40	20.25
Class D	21.70	19.45	10.55	15.40	10.40
Class E	10.75	10.25	6.00	6.50	7.75
Estimated annual excess spread (iii)	9.85	9.00	14.07	14.08	13.31

(i)Percentage of the initial collateral pool balance. (ii)For 2023-1, 2022-1, 2021-1, and 2020-1, percentage of current collateral pool balance plus 2.00% of initial collateral pool balance. Percentage of current collateral pool balance for 2019-1. (iii)Pre-pricing for 2023-1 and post-pricing for all other series. The excess spread calculations are based on a servicing fee of 2.75%.

Collateral changes from PART 2022-1

The significant collateral changes in PART's 2023-1 statistical pool (as of March 31, 2023) from the series 2022-1 closing pool include:

- The percentage of open bankruptcy collateral increased to 27.7% from 18.4%.
- Called collateral from series 2018-1 is estimated at 10.6% (expected to be 8.0% of final pool), which increased seasoning to seven months from five months.
- The weighted average loan-to-value increased to 129.0% from 127.5%.
- The percentage of new vehicles decreased to 4.8% from 5.4%.

We believe the PART 2023-1 collateral pool is somewhat stronger than PART 2022-1's, primarily due to the increased percentage of open bankruptcy collateral, which historically has exhibited lower losses than non-bankruptcy collateral, and the inclusion of called collateral (see table 2). The final collateral pool of $312.54 million as of the April 30, 2023, cutoff date is not expected to be materially different from the statistical pool. We have factored this into our expected loss and cash flow analysis for PART 2023-1 (see the S&P Global Ratings' Expected Cumulative Net Loss and Cash Flow Modeling Assumptions and Results sections below).

Table 2

Collateral comparison(i)

	PART				
	2023-1	2022-1	2021-1	2020-1	2019-1
Pool balance (mil. $)	294.3	415.7	325.0	403.2	391.7

Table 2

Collateral comparison(i) (cont.)

	PART				
	2023-1	2022-1	2021-1	2020-1	2019-1
No. of receivables	15,854	19,969	17,147	22,423	23,230
Avg. receivable balance ($)	18,563	20,816	18,954	17,980	16,881
Weighted Average					
APR (%)	20.9	19.6	18.5	18.4	19.2
Non-zero credit score	544	542	541	536	536
PTI ratio (%)	11.4	11.5	11.6	10.4	9.9
DTI ratio (%)	37.4	37.8	34.7	34.9	34.8
LTV ratio (%)	129.0	127.5	126.9	131.6	132.3
Open bankruptcy collateral (%)	27.7	18.4	40.1	46.7	31.8
Called collateral (%)	10.6	0	0	5.0	10.0
Original term (mos.)	71	71	71	70	70
Remaining term (mos.)	63	66	65	63	63
Seasoning (mos.)	7	5	6	7	7
Original term (%)					
0-60 months	5.4	5.3	4.9	5.8	7.7
61-72 months	94.6	94.7	95.1	94.2	92.3
New vehicles	4.8	5.4	8.7	11.4	10.7
Used vehicles	95.2	94.6	91.3	88.6	89.3
Vehicle type (%)					
Car	54.0	58.0	57.2	54.6	62.92
SUV	39.1	35.0	36.0	34.8	26.84
Van/truck	6.9	7.0	6.9	10.6	10.23
Top three state concentrations (%)					
	IL=10.13	IL=10.8	IL=11.8	IL=9.5	IL=7.7
	MD=8.38	IN=9.4	IN=9.8	IN=7.6	OH=7.3
	OH=7.30	AZ=6.7	OH=7.7	OH=7.6	TX=7.0

(i)All percentages are as of the statistical cutoff date for 2023-1 and final cutoff date, inclusive of pre-funding, if any, for other series. PART--Prestige Auto Receivables Trust. PTI--Payment-to-income. DTI—Debt-to-income. APR--Annual percentage rate. LTV--Loan-to-value. SUV--Sport utility vehicle.

Macroeconomic And Auto Finance Sector Outlook

In our view, 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 3, and their baseline effect on collateral credit quality in determining our base-case expected loss level.

As the Federal Reserve's (Fed) 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"). With economic pressures worsening due to higher borrowing costs, businesses will 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 early 2025 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.

Table 3

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

GDP--Gross domestic product. Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to normalize to historical levels.

S&P Global Ratings' ECNL: 18.75%

We determined our ECNL for PART 2023-1 by analyzing:

- PART 2023-1's collateral characteristics relative to those of the outstanding series (see table 2);
- The managed portfolio performance and origination static pool data and their relative performances (see table 4 and charts 1-3); and
- The outstanding series performance, particularly series 2022-1 and 2021-1, which are exhibiting higher losses and lower recovery rates at this point in time (see table 5 and chart 4).

We placed more emphasis on the origination static pool analysis and outstanding series performance in the ECNL determination for this series. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section above).

Overall, we expect PART 2023-1 to experience lifetime CNLs of 18.75%, up from PART 2022-1's 16.00%.

Managed portfolio

Prestige's managed portfolio grew approximately 27% to $1.07 billion as of Dec. 31, 2022, from $0.84 billion as of year-end 2021 (see table 4). In late 2021, Prestige made several model adjustments that led to increased approval rates and volumes. In mid-year 2022, scoring thresholds were tightened, which led to lower approval rates. Total delinquencies increased to 10.8% of the outstanding loan balance as of Dec. 31, 2022, from 7.4% as Dec. 31, 2021, partly due to the credit changes made in 2021. Similarly, net losses increased to 4.8% as of Dec. 31, 2022, from 3.9% a year ago.

Table 4

Managed portfolio

	As of Dec. 31					
	2022	2021	2020	2019	2018	2017
Delinquency experience						
Amount of receivables outstanding (mil. $)	1,066.5	838.4	972.1	1,272.2	1,105.7	1,083.3
30-plus-day delinquencies (% of principal amount of receivables outstanding)	10.8	7.4	7.5	6.5	5.6	5.5
Loan loss experience						
Avg. month-end amount outstanding (mil. $)	938.4	878.2	1,045.4	1,124.9	1,076.1	1,101.8
Net losses (% of the avg. month-end amount outstanding(i)	4.8	3.9	5.7	7.1	6.5	6.1

(i)Annualized.

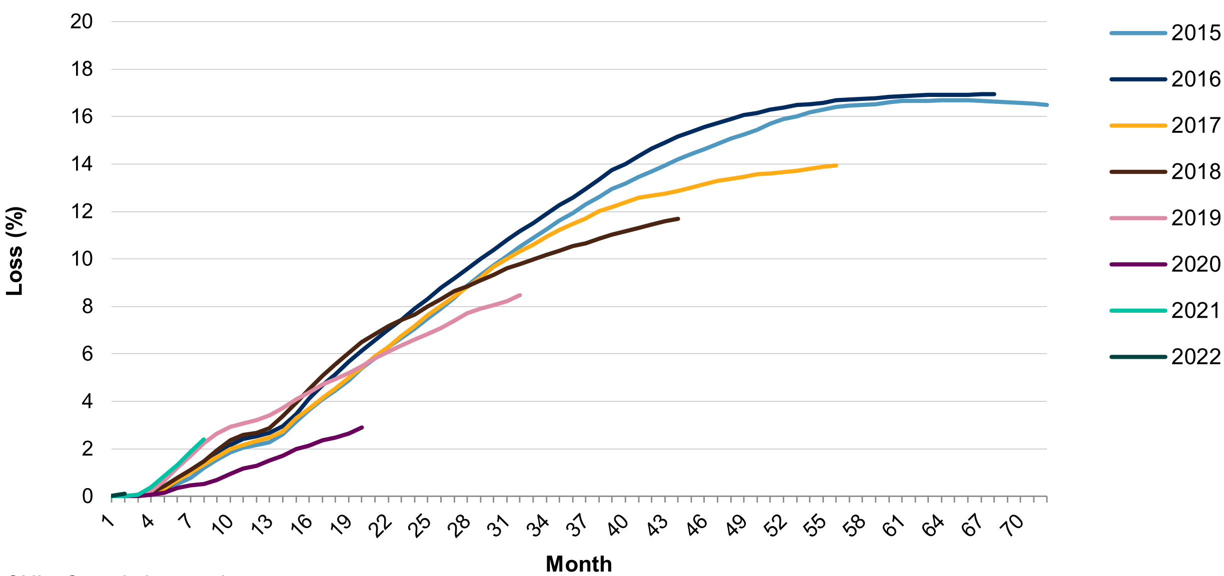
Origination static pool analysis

The static CNLs by annual vintage on Prestige's managed portfolio are shown below on an aggregate basis (see chart 1), as well as broken out by bankruptcy and non-bankruptcy collateral (see charts 2 and 3) and generally reflect the loan and obligor characteristics of the securitized pool. We analyzed performance data on the origination static pools in aggregate, as well as by cohorts (i.e., bankruptcy and non-bankruptcy, payment to income, and loan to value) consistent with this series' pool. We used various historical loss curves to develop expected net loss projections for each of the outstanding cohorts with at least 12 months of performance. Then, we weighted these projections based on the various credit tiers' concentrations in the series 2023-1 pool to determine a base case loss expectation.

Prestige looks for obligors whose credit history displays a period of good credit followed by a period of poor credit, which may include a recent bankruptcy, but who now demonstrate either positive payment behaviors or strong potential to establish such behaviors. The individuals whom Prestige typically finances under its bankruptcy program have generally suffered a "life" event--such as a medical issue, a layoff, an overextension, or a divorce--that has caused a temporary financial setback leading to the bankruptcy filing. In our view, Prestige's bankruptcy collateral tends to perform better than its non-bankruptcy collateral because obligors generally emerge from the U.S. Bankruptcy Code process with all or most debts discharged (in the case of Chapter 7) or with a plan to repay creditors over a period of usually three to five years (in the case of Chapter 13). The obligor's credit score will, however, suffer significantly as a result of the bankruptcy, and therefore credit will be harder and more expensive to obtain. An additional consideration is that an obligor cannot receive a second discharge in any Chapter 7 bankruptcy petition that is filed within eight years from the date that the first Chapter 7 petition was filed. For Chapter 13 bankruptcy, an obligor is not eligible for a discharge if a previous discharge was received under Chapter 7 within the prior four-year period or, if the prior discharge was received under Chapter 13, within the prior two-year period. As a result, the obligor is usually eager to re-establish creditworthiness by demonstrating good payment behaviors going forward.

Chart 1

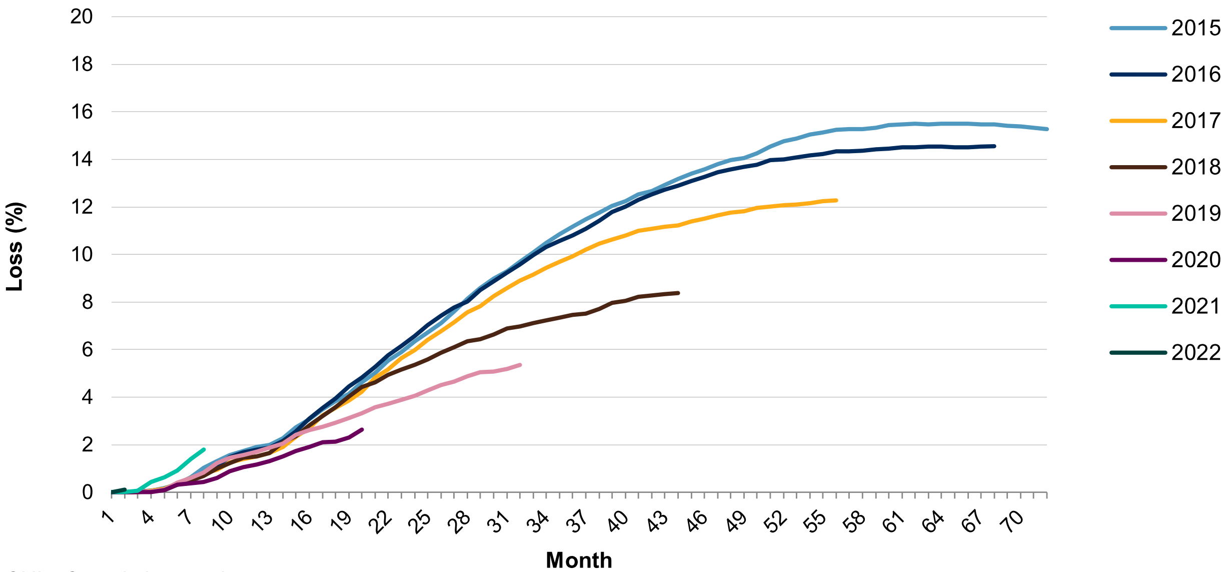
Aggregate origination CNLs



CNL--Cumulative net loss.

Chart 2

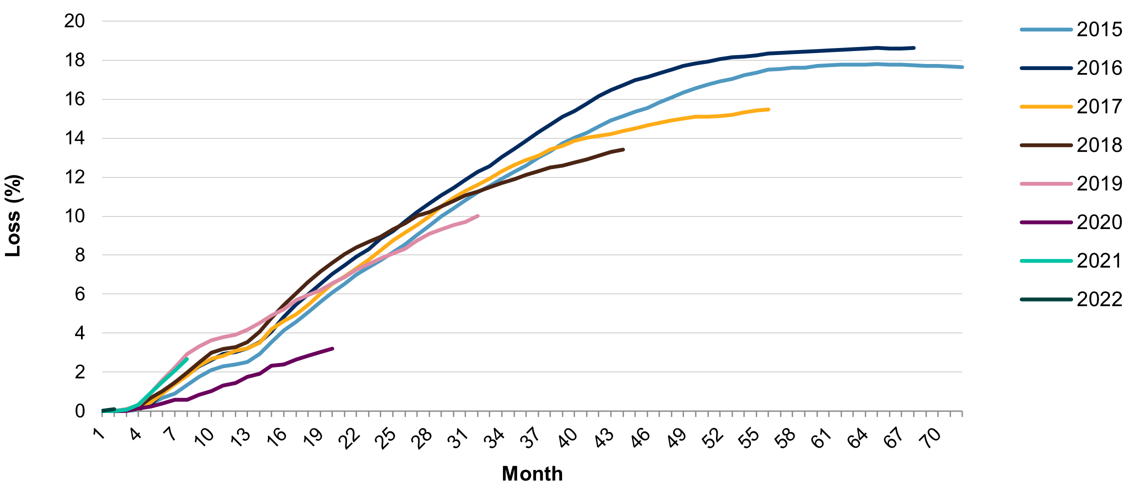
Bankruptcy collateral origination CNLs



CNL--Cumulative net loss.

Chart 3

Non-Bankruptcy collateral origination CNLs



CNL--Cumulative net loss.

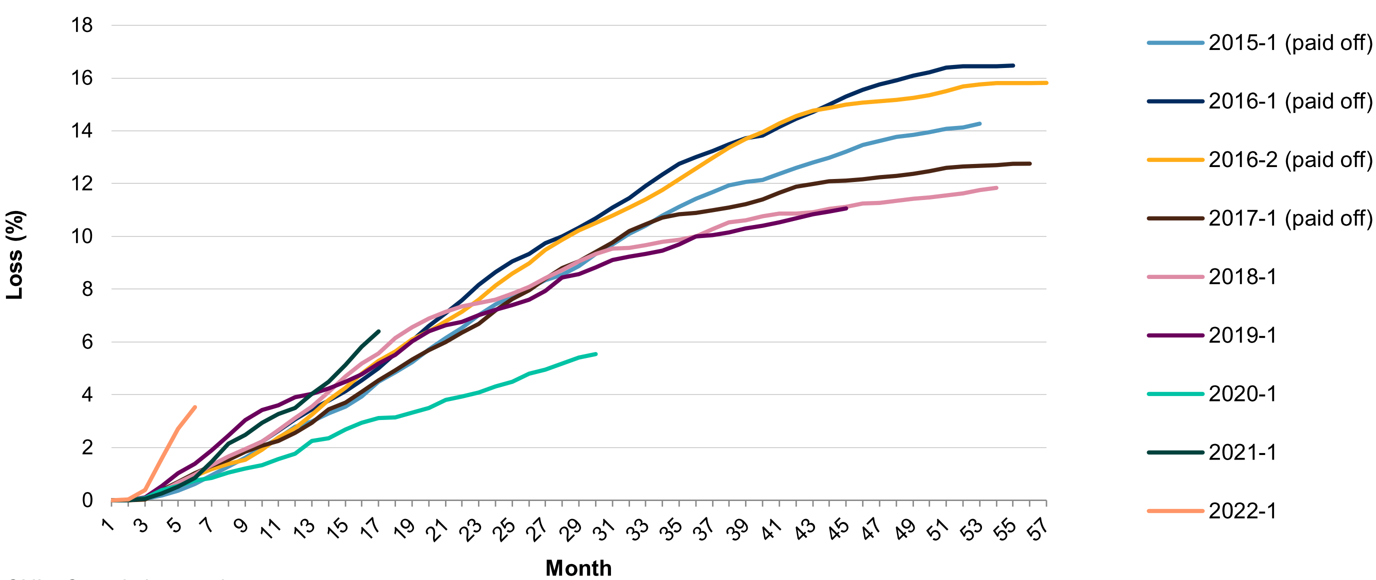
PART series' performance

We have outstanding ratings on five PART transactions that were issued between 2018 and 2022 (see table 5). Series 2018-1, 2019-1 and 2020-1 transactions are performing better than our initial and revised expectations. As a result, we revised and lowered our ECNL for these transactions. In contrast, series 2021-1 performance is trending worse than our initial CNL expectation and is more exposed to potential adverse economic headwinds and possibly weaker recovery rates. As a result, we revised and raised our ECNL range for series 2021-1 (see "Eight Ratings Raised And Five Affirmed On Four Prestige Auto Receivables Trust Transactions," published March 21, 2023).

Similarly, series 2022-2 performance is trending worse than our original CNL expectation, albeit it is early with five months of performance. Cumulative gross losses are significantly higher than prior series at this point in time, which, coupled with lower cumulative recoveries, is resulting in elevated CNLs. On April 10, 2023, Prestige Financial Services Inc., the servicer, submitted an action plan, which includes a contribution of $3.1 million, to the issuer, Prestige Auto Receivables Trust 2022-1. Based on our analysis of the action plan, specifically the capital contribution, along with other factors, we are not taking any rating actions on series 2022-1 at this time (see "No Rating Actions Taken On Prestige Auto Receivables Trust 2022-1's Worsening Performance Following Capital Contribution," published April 11, 2023).

Chart 4

PART series CNLs



CNL--Cumulative net loss.

Table 5

PART's collateral performance and CNL expectations(i)

Transaction	Month	Pool factor (%)	Current CNL (%)	60-plus-day delinquency (%)	Initial expected lifetime CNL %	Revised expected lifetime CNL (%)(i)
2018-1	54	10.01	11.84	7.44	13.00-13.75	up to 12.00
2019-1	44	16.68	11.06	7.07	13.25-14.00	12.50
2020-1	29	29.52	5.54	5.09	18.25-19.25	9.25
2021-1	16	58.24	6.40	5.12	14.50-15.50	15.75-18.00
2022-1	5	87.73	3.53	2.73	16.00	N/A

(i)As of the April 2023 distribution date. (ii)Revised in March 2023. PART--Prestige Auto Receivables Trust. CNL--Cumulative net loss. N/A--Not applicable.

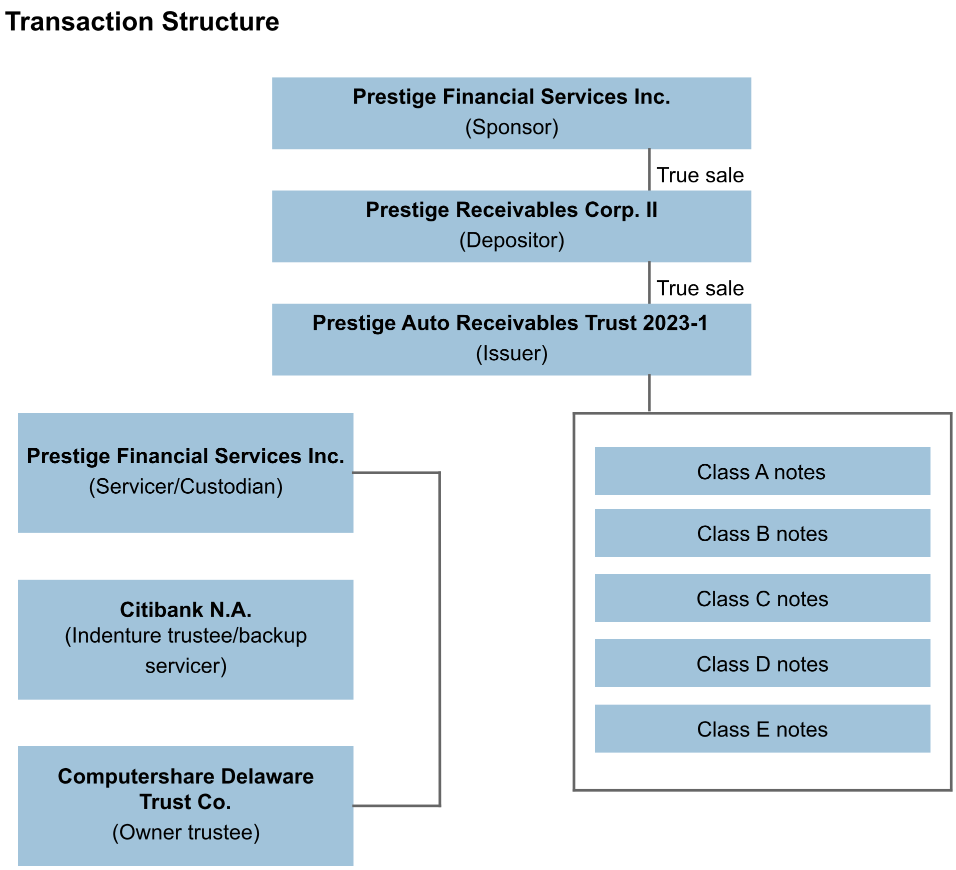
Legal Overview And Transaction Structure

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.

PART 2023-1 is structured as a true sale of the receivables to Prestige Receivables Corp. II (PRC II) from Prestige, the originator. By way of a further true sale, PRC II will sell the assets it acquires to the trust, a bankruptcy-remote special-purpose entity. The trust will then pledge its interest in the receivables to the indenture trustee on the noteholders' behalf. (See chart 5).

Chart 5



Transaction structure

PART 2023-1 incorporates the following structural features:

- A senior-subordinated, sequential payment structure in which the senior notes outstanding are paid first.
- Overcollateralization of 9.75% of the initial collateral pool balance that builds to a target of 19.65% of the current collateral pool balance plus 2.00% of the initial collateral pool balance by using excess spread available after covering net losses, subject to a floor of 2.00% of the initial collateral pool balance.
- A nonamortizing reserve account that will be equal to at least 1.00% of the initial collateral pool balance and will be fully funded at closing.
- Excess spread of approximately 9.85% (pre-pricing) per year.

Payment Priority

Payment distributions before an event of default

Distributions will be made from the available funds according to a specific priority (see table 6).

Table 6

Payment waterfall

Priority	Payment
1	The indenture trustee and owner trustee fees, and to the owner trustee, the indenture trustee, and the backup servicer, any reasonable indemnities and out-of-pocket expenses (including, without limitation, attorneys' fees and expenses and any conversion fees), provided, however, that such expenses, excluding conversion fees, will be limited to $150,000 and that conversion fees will be limited to $30,000.
2	To the servicer, the 2.75% servicing fee and expenses, including the conversion fees of any successor servicer other than the backup servicer, to reimburse the servicer for any unreimbursed servicer advances and to pay the custodian expenses permitted under the custodian agreement.
3	Class A note interest.
4	Principal to the extent necessary to reduce the class A note principal balance to the pool balance.
5	The remaining principal balance, paid sequentially, of any outstanding class A notes on their respective final scheduled distribution date.
6	Class B note interest.
7	Principal to the extent necessary to reduce the combined class A and B note principal balance to the pool balance.
8	The remaining principal balance of any outstanding class B notes on their final scheduled distribution date.
9	Class C note interest.
10	Principal to the extent necessary to reduce the combined class A, B, and C note principal balance to the pool balance.
11	The remaining principal balance of any outstanding class C notes on their final scheduled distribution date.
12	Class D note interest.
13	Principal to the extent necessary to reduce the combined class A, B, C, and D note principal balance to the pool balance.
14	The remaining principal balance of any outstanding class D notes on their final scheduled distribution date.
15	Class E note interest.
16	Principal to the extent necessary to reduce the combined class A, B, C, D, and E note principal balance to the pool balance.
17	The remaining principal balance of any outstanding class E notes on their final scheduled distribution date.
18	To the reserve account, the amount necessary to reach the required level.
19	To the noteholders, the regular principal distributable amount.
20	To the owner trustee, indenture trustee, and backup servicer, any fees and expenses due that are in excess of the related cap on each.
21	To any successor servicer, the additional servicing compensation, if applicable.
22	Any remaining amounts to the certificateholder.

The above payment priorities may change if a credit event of default (a failure to pay interest on the controlling note class, a failure to pay principal at final maturity, or the trust's bankruptcy) or a non-credit event of default (a material breach of a representation, warranty, or covenant) occurs and persists.

The indenture trustee may accelerate the notes and will do so if directed in writing by noteholders holding a majority of the outstanding amount of the controlling note class. The trust estate may also be liquidated, but only if a credit event of default occurs, noteholders holding a majority of the outstanding amount of the controlling note class consent, and one of the following occurs:

- The sale or liquidation proceeds are sufficient to ensure all noteholders are paid in full;
- All noteholders consent to the sale; or
- The indenture trustee determines that the trust estate will not provide sufficient funds to pay the noteholders in full on an ongoing basis and obtains the consent to the sale from two-thirds of the principal amount of the outstanding notes.

Payment distributions after an event of default

If the notes are accelerated following a non-credit event of default, then distributions will be made from the available funds according to the payment priority shown in table 1. However, there will be no cap on expenses and indemnities in item 1 of the waterfall, and payment of the regular principal distributable amount in item 19 will include all available funds until the total note balance has been reduced to zero.

If the notes are accelerated following a credit event of default, or if the trust estate is sold following the exercise of remedies after a credit event of default, then distributions will be made from the available funds according to the following payment priority (see table 7).

Table 7

Credit Event Of Default Payment Waterfall

Priority	Payment
1	To the trustees, any trustee fees and expenses as well as any expenses owed to the backup servicer without cap.
2	To the servicer, any servicing fee and expenses as well as any expenses owed to the custodian.
3	Class A note interest pari passu among the class A-1 and A-2 notes.
4	To class A-1 noteholders, principal until class A-1 is paid in full.
5	To class A-2 principal until class A-2 is paid in full.
6	Class B note interest.
7	To class B noteholders, principal until class B is paid in full.
8	Class C note interest.
9	To class C noteholders, principal until class C is paid in full.
10	Class D note interest.
11	To class D noteholders, principal until class D is paid in full.
12	Class E note interest.
13	To class E noteholders, principal until class E is paid in full.
14	To any successor servicer, the additional servicing compensation, if applicable.
15	Any remaining amounts to the certificateholder.

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.

For PART 2023-1, the cash flow modeling scenarios were performed on the cutoff collateral pool of $312.54 million as of April 30, 2023, which is not expected to be materially different from the March 31, 2023, statistical pool of $294.30 million shown in the collateral section and table 2.

Break-even analysis

For the PART 2023-1 transaction structure, we applied the assumptions outlined in table 8 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower 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 breakeven requirement.

Prestige has, for many years, used a customer rewards program under which it can reduce a borrower's annual percentage rate (APR) by up to 0.5% for every consecutive three-month period that the borrower makes on-time payments and maintains full-coverage insurance, up to a maximum 2.0% reduction each year. The minimum APR allowed under the rewards program is 14.0%, and no borrower who has an APR less than or equal to 14.0% can qualify for the program. To account for this program in our stress runs, based on the Prestige's monthly origination static pool data, we modeled a weighted average APR drift of minus three basis points per month.

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

Table 8

Break-even cash flow assumptions

Voluntary ABS (%)	1.10
Servicing fee (%)	2.75
Recovery rate (%)	35
Charge-off and recovery lag (mos.)	5
Weighted average APR drift (bps)	(3)
CNL timing mos. (12/24/36/48/60)(%)	
Front-loaded loss curve	25/65/90/100
Back-loaded loss curve	15/45/75/95/100

ABS--Absolute prepayment speed. Mos--Months. APR--Annual percentage rate. Bps--Basis points. CNL--Cumulative net loss.

Table 9

Break-even cash flow results

	Class				
	A	B	C	D	E
Preliminary rating	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB- (sf)
CNL timing mos. (12/24/36/48/60) (%)					
Front-loaded loss curve	71/100	35/85/100	27/67/90/100	27/67/90/100	27/67/91/100
Back-loaded loss curve	69/100	32/85/100	21/58/92/100	18/50/79/97/100	17/48/76/94/100
Approximate break-even CNL levels (%)(i)					
Required	58.13	48.75	39.38	30.00	23.81
Available – front-loaded loss curve	58.78	49.68	39.52	30.56	24.29
Available – back-loaded loss curve	58.86	49.87	40.63	32.76	24.44

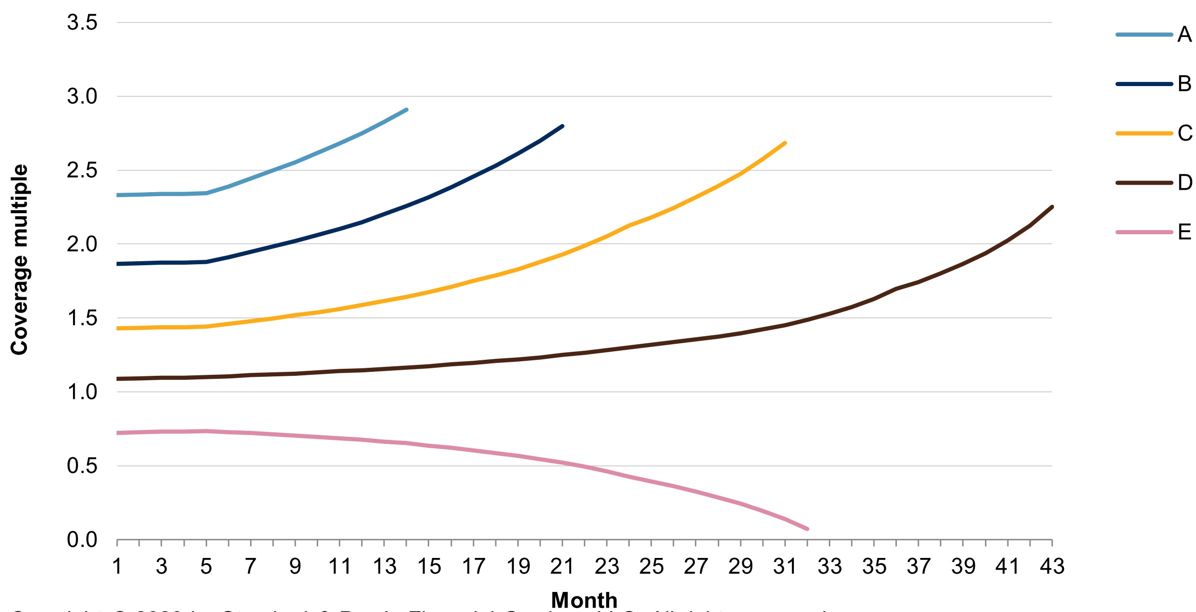
(i)The maximum cumulative net losses, with 90.0% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis using the assumptions in table 8 with the exception of the CNL timing curve. Instead of front-loaded and back-loaded loss curves, we used a base case loss curve of 20/55/80/95/100. We believe that under a moderate ('BBB') stress scenario (1.60x of 18.75% expected loss level) and with 90.0% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published Nov. 10, 2021.

Chart 6

Sensitivity analysis | coverage multiples



Money market tranche sizing

The proposed money market tranche (class A-1) has a 12-month legal final maturity date (May 15, 2024). To test whether the money market tranche can be repaid by month 12, we ran cash flows using assumptions to delay the principal collections during the 12-month time period. We assumed zero defaults and a 0.25 absolute prepayment speed for our cash flow run, and we observed that the money market tranche would be paid off in full before the legal final maturity date.

Legal final maturity

To test the legal final maturity dates set for classes A-2, B, C, and D, we determined the date on which the respective notes were fully amortized in a zero-loss, zero-prepayment scenario and then added three months to the result. We calculated the legal final maturity for class E by determining the latest maturing loan's distribution date and adding an additional 12 months to accommodate recoveries and extensions. Furthermore, in the break-even scenario for each respective rating level, we confirmed that there was sufficient credit enhancement both to cover losses and to repay the related notes in full by legal final maturity.

Counterparty And Operational Risks

On or before the closing date, the PART 2023-1 accounts will be established in the name of the indenture trustee, Citibank, N.A., as segregated trusts accounts. The bank account provider is consistent with our counterparty criteria for a 'AAA' supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

As servicer, Prestige has an experienced management team that oversees origination, underwriting, servicing, collections and general operational practices. Citibank N.A. is designated as a back-up servicer, which would enable servicing transition if necessary. Prestige 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 Prestige as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014).

Prestige 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 assess any such events and outcomes as they become available to us to determine any impact on our counterparty and operational risk assessments.

Prestige

Prestige was incorporated under the laws of Utah in September 1994 and is one of the entities that constitute the Larry H. Miller Group of Companies (the Miller Group). Prestige is a financial services company specializing in automobile financing. It acquires and services retail automobile installment purchase contracts secured by either new or used vehicles. Prestige's target market is credit-impaired buyers who have offsetting strengths, such as relatively stable employment, income, and residential history, as well as a history of paying previous credit as agreed.

Under the guidance of a board of directors, Miller Management Corp. generally oversees the financial services-related entities within the Miller Group. Prestige operates under this management umbrella as a stand-alone legal entity with separate operational management and remains profitable. At year-end 2022, the Miller Group had an estimated $2.6 billion in total assets and an estimated $0.7 billion in total revenues, and it employed more than 2,000 people.

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: February 2023 Performance, April 11, 2023
- No Rating Actions Taken On Prestige Auto Receivables Trust 2022-1's Worsening Performance Following Capital Contribution, April 11, 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
- Eight Ratings Raised And Five Affirmed On Four Prestige Auto Receivables Trust Transactions, March 22, 2023