Presale:

Ally Auto Receivables Trust 2024-1

February 28, 2024

PRIMARY CREDIT ANALYST

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Preliminary ratings

Class(i)	Preliminary rating	Type	Interest rate(ii)	Preliminary amount (mil. $)	Legal final maturity date
A-1(ii)	A-1+ (sf)	Senior	Fixed	265.96	March 17, 2025
A-2(iii)	AAA (sf)	Senior	Fixed	340.00	Jan. 15, 2027
A-3(iii)	AAA (sf)	Senior	Fixed	390.00	Dec. 15, 2028
A-4	AAA (sf)	Senior	Fixed	63.20	Oct. 15, 2029
B	AA+ (sf)	Subordinate	Fixed	23.56	Oct. 15, 2029
C	AA (sf)	Subordinate	Fixed	19.64	Nov. 15, 2029
D	A+ (sf)	Subordinate	Fixed	14.59	Feb. 17, 2032

Note: This presale report is based on information as of Feb. 28, 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)Approximately 5% (by initial principal balance) of the class A-1, A-2, A-3, A-4, B, C and D notes may be retained initially by the depositor or another majority-owned affiliate of the sponsor. (ii)The interest rate for each class will be determined on the pricing date. (iii)The initial principal balances of classes A-2 and A-3 will be determined on or prior to the day of pricing. The initial principal balance for class A-2 is expected to be within the $290.00 million to $390.00 million range, and the initial principal balance for class A-3 is expected to be within the $340.00 million to $440.00 million range. The aggregate initial principal balance for the class A-2 and A-3 notes will be $730.00 million.

Profile

Collateral	Prime auto loan receivables.
Sponsor, servicer, and acquirer	Ally Bank.
Depositor and AART certificateholder	Ally Auto Assets LLC.
Issuing entity	Ally Auto Receivables Trust 2024-1.
Subservicer	Ally Servicing LLC.
Indenture trustee	U.S. Bank Trust Co. N.A. (AA-/Negative/A-1+).
Bank account provider	U.S. Bank N.A. (AA-/Negative/A-1+).
Owner trustee	BNY Mellon Trust of Delaware (AA-/Stable/A-1+).

Rationale

The preliminary ratings assigned to Ally Auto Receivables Trust 2024-1's (AART 2024-1) $1.117 billion asset-backed notes series 2024-1 reflect:

- The availability of approximately 8.94%, 7.07%, 5.52%, and 4.53% credit support−-hard credit enhancement and 90% credit to excess spread--for the class A, B, C, and D notes, respectively, based on stressed cash flow scenarios. These credit support levels provide coverage of at least 5.00x, 4.50x, 4.00x, and 3.33x of our expected cumulative net loss (ECNL) of 1.10% 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).
- The expectation that under a moderate ('BBB') stress scenario (2.00x our expected loss level), all else being equal, our preliminary 'AAA (sf)', 'AA+ (sf)', 'AA (sf)', and 'A+ (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).
- 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 prime automobile loans securitized in this transaction together with 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).
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Ally Bank (Ally) as a servicer, along with our view of the company's underwriting history.
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structure.

Our ECNL for AART's 2024-1 transaction is 1.10%, unchanged from series 2022-3. Our ECNL of 1.10% for series 2024-1 incorporates:

- Our view that the 2024-1 collateral is comparable to series 2022-3;
- The performance of the outstanding securitizations, which have performed in-line or better than our initial ECNL;
- Our loss projections based on issuer's static pool data; and
- Our forward-looking view of the auto finance sector.

Environmental, Social, And Governance

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

In our view, the exposure to ESG credit factors in this transaction is 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 (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe our current approach to evaluating recovery 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.

Credit Enhancement And Collateral

There are no notable structural change from AART 2023-1, which S&P Global ratings did not rate.

Structural changes from AART 2022-3

- The exclusion of yield supplement overcollateralization (YSOC), given the high percentage of above-water loans in the 2024-1 pool.
- The increase in pre-pricing estimated per annum excess spread to 2.64% from 2.41%.

Table 1 shows the credit enhancement changes from recent transactions.

Table 1

Ally Auto Receivables Trust credit enhancement summary (%)

	2024-1	2023-1(i)	2022-3	2022-2	2022-1
Subordination(ii)					
Class A	5.15	5.15	5.15	5.15	5.15
Class B	3.05	3.05	3.05	3.05	3.05
Class C	1.30	1.30	1.30	1.30	1.30
Class D	N/A	N/A	N/A	N/A	N/A
Overcollateralization(ii)					
Initial	0.45	0.45	0.45	0.45	0.45
Target	1.30	1.30	1.30	1.30	1.30
Floor	1.30	1.30	1.30	1.30	1.30
Reserve(ii)(iii)					
Initial	0.25	0.25	0.25	0.25	0.25
Target	0.25	0.25	0.25	0.25	0.25
Floor	0.25	0.25	0.25	0.25	0.25
Total initial hard credit enhancement					
Class A	5.85	5.85	5.85	5.85	5.85
Class B	3.75	3.75	3.75	3.75	3.75
Class C	2.00	2.00	2.00	2.00	2.00
Class D	0.70	0.70	0.70	0.70	0.70

Table 1

Ally Auto Receivables Trust credit enhancement summary (%) (cont.)

	2024-1	2023-1(i)	2022-3	2022-2	2022-1
Total target hard credit enhancement					
Class A	6.70	6.70	6.70	6.70	6.70
Class B	4.60	4.60	4.60	4.60	4.60
Class C	2.85	2.85	2.85	2.85	2.85
Class D	1.55	1.55	1.55	1.55	1.55
Estimated annual excess spread(iv)	2.64	2.13	2.41	2.04	2.04
Initial aggregate gross principal balance ($)	1,121,999,935	1,108,940,650	1,028,968,867	1,112,887,614	1,084,569,771
YSOC amount ($)	N/A	N/A	40,496,228	40,903,644	N/A
Initial adjusted receivables balance ($)	N/A	N/A	988,472,639	1,071,983,971	N/A
Initial overcollateralization ($)	5,049,935	4,980,650	4,442,639	4,853,971	4,879,771
Total securities issued ($)	1,116,950,000	1,103,960,000	984,030,000	1,067,130,000	1,079,690,000

(i)Not rated by S&P Global Ratings. (ii)As a percentage of the initial aggregate principal balance. (iii)For series 2024-1, the reserve account amount will be at least $2,805,000 or 0.25% of the initial aggregate pool balance. (iv)For series 2024-1, 2022-3, 2022-2, and 2022-1, estimated excess spread is before pricing, while for series 2023-1, approximate excess spread is post pricing. Includes an annual servicing fee of 1%. YSOC--Yield supplement overcollateralization amount. N/A--Not applicable.

Collateral changes from AART 2023-1

The collateral composition changes from AART 2023-1, which S&P Global Ratings did not rate, include the following:

- The weighted average annual percentage rate (APR) increased to 9.62% from 8.79%.
- The weighted average seasoning increased to 17.21 months from 10.66 months due to a decrease in weighted average original term to 70.97 from 73.51 and a decrease in weighted average remaining term to 53.76 from 62.85.
- The weighted average FICO score increased to 735 from 730.
- The percentage of loans with original terms of 76-84 months increased to 9.99% from 6.29%.

Collateral changes from AART 2022-3

The collateral composition changes in AART 2024-1 from series 2022-3's collateral pool include the following:

- The weighted average seasoning decreased to 17.21 from 19.67 due to an increase in the weighted average remaining term to 53.76 from 50.40.
- The weighted average FICO score increased to 735 from 729.
- The weighted average loan-to-value (LTV) ratio increased to 95.81% from 94.45%.

In our view, the collateral characteristics of series 2024-1 are comparable to series 2022-3 (see table 2).

Table 2

Collateral comparison(i)

	Ally Auto Receivables Trust.						
	2024-1	2023-1	2022-3	2022-2	2022-1	2019-4	2019-3
Pool size (mil. $)	1,122.00	1,122.00	1,028.96	1,112.90	1,084.60	1,050.50	1,121.00
No. of receivables	59,162	50,424	61,982	59,250	59,861	66,361	67,198
Avg. principal balance ($)	18,964	22,521	16,601	18,783	18,118	15,830	16,682
Weighted avg. APR excluding the YSOA (%)	9.62	8.79	6.77	6.55	6.56	6.63	7.00
Weighted avg. original term (mos.)	70.97	69.39	70.07	69.41	69.93	66.83	66.15
Weighted avg. remaining term (mos.)	53.76	59.78	50.40	55.00	54.74	52.95	56.63
Seasoning (mos.)	17.21	9.61	19.67	14.41	15.19	13.88	9.52
Total percentage of loans with an original term of 60-plus mos.	82.05	78.55	79.19	77.77	78.18	67.60	67.02
Total percentage of loans with an original term of 73-75 mos.	20.00	19.85	20.00	14.99	15.17	15.00	15.00
Total percentage of loans with an original term of 76-84 mos.	9.99	6.29	10.00	10.02	10.00	0.00	0.00
New vehicles (%)	40.00	41.58	40.00	50.01	50.18	70.00	70.00
Used vehicles (%)	60.00	58.42	60.00	49.99	49.82	30.00	30.00
Weighted avg. original FICO score	735	730	729	730	725	741	737
Weighted avg. LTV ratio (%)	95.81	95.54	94.45	93.57	93.30	94.28	93.49
Top five state concentrations (%)							
	TX=13.13	TX=13.36	TX=11.78	TX=12.20	TX=12.55	TX=13.51	TX=13.03
	FL=9.05	FL=9.49	CA=9.17	CA=9.51	CA=9.46	CA=9.50	CA=10.26
	CA=6.89	CA=8.83	FL=9.03	FL=9.37	FL=9.40	FL=8.31	FL=9.03
	PA=5.16	PA=5.64	PA=5.01	PA=5.50	PA=4.96	PA=4.37	PA=4.51
	NC=4.69	NC=4.52	NC=4.14	NC=4.24	NC=4.23	IL=4.25	IL=4.35
Original ECNL range (%)	1.10	N/A	1.10	1.10	1.05-1.15	0.95-1.05	0.95-1.05
Revised ECNL range (as of December 2023) (%)	N/A	N/A	1.10	1.10	1.00	Up to 0.65	Up to 0.80

(i)All percentages are of the initial gross receivables balance. (ii) Not rated by S&P Global Ratings. APR--Annual percentage rate. YSOA--Yield supplement overcollateralization amount. LTV--Loan-to-value. ECNL--Expected cumulative net loss. N/A--Not applicable.

Approximately 30% of the pool is composed of loans with original terms greater than 72 months. In general, the credit quality of the loans with terms greater than 72 months is weaker than that of the overall pool. The collateral characteristics of the 73- to 75-month paper, which accounts for approximately 10% of the 2024-1 pool, is less favorable than the collateral characteristics of the 76- to 84-month paper. The weaker credit quality of the paper with terms greater than 72 months is somewhat offset by higher seasoning than the overall pool.

Macroeconomic And Auto Finance Sector Outlook

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

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to raise our 2024 U.S. GDP forecast to 2.4% from 1.5%. Although this is slightly weaker than the 2.5% growth the U.S saw in 2023, the labor market remains sturdy, with strong job gains in both December 2023 and January 2024 and wage gains in most industries remaining above the inflation rate. Nonetheless, we expect unemployment to increase slightly to 3.9% this year from 3.6% in 2023 (see "U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going," published Feb. 21, 2024).

We are also closely watching the following developments:

- Consumers are showing signs of strain due to increased debt loads. The ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods, according to the Federal Reserve Bank of New York/Equifax credit data. This is driven primarily by the subprime segment, which represents about one-seventh of the total outstanding auto loan balance.
- Employment in the temporary help services sector was down 7.0% in January from a year ago. A decline of this magnitude has been a harbinger of weaker future demand for permanent workers.
- Student loan payments resumed in October 2023 and are putting upward pressure on debt service ratios. This could lead to even higher consumer delinquencies and charge-offs.

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 over other consumer and student loan payments. Furthermore, in the auto market, as new vehicle supply imbalances continue to ease, inventory levels rebuild, and manufacturer incentives increase, we expect used vehicle values to continue to normalize to historical levels.

Table 3

U.S. economic factors

	Actual	Forecast			
	2023	2024	2025	2026	2027
Real GDP (% year-over-year growth)	2.5	2.4	1.5	1.6	1.8
Unemployment rate (% annual average)	3.6	3.9	4.2	4.3	4.2
Consumer Price Index (% annual average)	4.1	2.8	2.0	2.4	2.4

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

S&P Global Ratings' Expected Loss: 1.10%

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

- The collateral pool characteristics (see table 2);
- Ally's managed portfolio performance (see table 4);
- Approximately 24 years of origination static pool performance data, which included the cross-segmentation of new and used vehicles, FICO score, original term, LTV ratio, and credit tier; and
- AART securitization performance (see charts 1 and 2 and table 5).

Given the similarities in 2024-1's collateral characteristics to the outstanding 2022 AART transactions, we placed more emphasis on the outstanding series' performance when determining the expected loss for this series. We complemented this analysis with our forward-looking view of the economy and the auto finance sector (see the Macroeconomic And Auto Finance Sector Outlook section).

Altogether, we expect the collateral backing the AART 2024-1 notes to experience lifetime cumulative net losses (CNLs) of 1.10%, unchanged from series 2022-3.

Managed portfolio

As of Dec. 31, 2023, Ally Bank had 3.438 million retail contracts outstanding--a decrease of approximately 2% from Dec. 31, 2022 (see table 4). Ally Bank's portfolio mix of loans secured by used vehicles has increased year over year to a current proportion of approximately 74% as of Dec. 31, 2023. Total delinquencies were 4.91% as of Dec. 31, 2023, compared with 4.20% a year earlier. Net losses as a percentage of average net receivables increased to 1.83% for the period from 0.89% a year earlier.

We believe the AART 2024-1 pool will outperform Ally Bank's portfolio due to its stronger collateral mix. AART 2024-1 has a higher percentage of new vehicles (approximately 40% compared with approximately 26% in the managed portfolio), a minimum FICO score requirement of 660, and an LTV ratio cap of 120.00%.

Table 4

Ally Bank U.S. Retail Auto Managed Portfolio

	Year ended Dec. 31						
	2023	2022	2021	2020	2019	2018	2017
Total retail contracts outstanding at period end (excluding bankruptcies) (000s)	3,438	3,504	3,632	3,685	3,486	3,085	2,472
New vehicles (000s)	899	979	1,105	1,224	1,273	1,262	1,173
Used vehicles (000s)	2,535	2,514	2,527	2,461	2,213	1,823	1,299
Delinquencies (%)(i)							
31-60 days	3.31	2.95	2.00	2.22	2.69	2.30	1.79
61-90 days	1.23	0.97	0.58	0.70	0.68	0.53	0.38
90-120 days	0.35	0.25	0.15	0.18	0.17	0.12	0.07
121 days or more	0.02	0.01	0.02	0.06	0.00	0.00	0.00

Table 4

Ally Bank U.S. Retail Auto Managed Portfolio (cont.)

	Year ended Dec. 31						
	2023	2022	2021	2020	2019	2018	2017
Total delinquencies	4.91	4.18	2.75	3.16	3.54	2.95	2.24
Net losses as a percentage of the avg. gross receivables (%)	1.24	0.87	0.64	0.74	0.83	0.71	0.59
Net losses as a percentage of the avg. net receivables (%)(ii)	1.86	0.95	0.41	1.06	1.24	1.04	0.87

(i)The month-end delinquencies in dollars as a percentage of the month-end receivables balance. (ii)Net losses as a percentage of average net receivables is an accounting-based metric and, therefore, reflects write-downs occurring based on Federal Financial Institutions Examination Council guidance.

Origination static pool analysis

To derive our base-case loss for the AART 2024-1 transaction, we analyzed static pool originations performance data since 1999. The data we received were segmented by new- and used-vehicle mixes, credit grade, APR, and original loan term. We developed expected net loss projections for each combination of these credit buckets. We relied on originations that had at least 12 months of performance data when determining our net loss projections. Our loss projection analysis focused on quarterly vintages originated from 1999 to 2023. We then weighted these projections based on the actual concentration of the various segments in the AART 2024-1 pool.

We noted that the static pool performance from 2019 through 2021 likely benefitted from the federal stimulus and unprecedented extension offers related to the COVID-19 pandemic, and loss performance could have been somewhat muted during that time. As a result, we also we ran projections isolating the more recent 2022 vintages, which did not receive COVID-19 stimulus. The 2022 vintages yielded higher losses than pre-pandemic and pandemic-affected vintages.

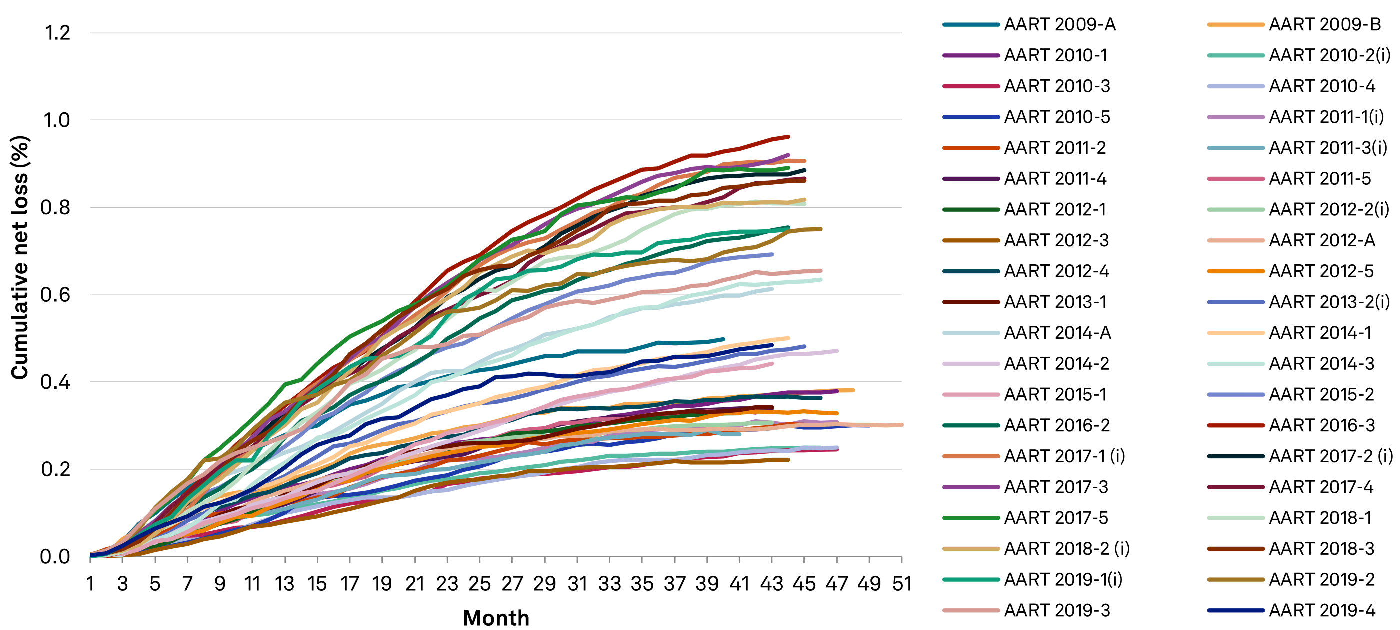
We also examined the CNLs and cumulative gross loss performance of Ally Bank's paid-off pools and its outstanding securitized pools. We used the paid-off deals to create a loss-timing curve and used that curve to project losses on the outstanding AART securitizations. We also looked at the cumulative recovery rates and delinquencies by securitizations and considered our current and forward-looking views of the economy and the auto loan sector.

AART series' performance

Ally Bank has been issuing auto loan asset-backed securities since 2009, and its securitizations have performed well. The transactions that have paid off (series 2009-A through 2019-4) experienced CNLs of 0.25%-0.96%. (See chart 1 for the CNL performance of the paid-off securitizations.)

Chart 1

Ally Bank AART retail loan paid-off securitizations--cumulative net losses



(i)Not rated by S&P Global Ratings. AART--Ally Auto Receivables Trust.

S&P Global Ratings currently maintains ratings on four outstanding AART transactions: series 2022-1, 2022-2, 2022-3, and 2023-A. Series 2023-A is materially different from series 2022-1, 2022-2, 2022-3, and 2024-1 with regard to collateral composition and structure. The initial ENCL for series AART is 2.15%, which is higher than the 1.10% initial ENCL of the outstanding series 2022-1, 2022-2, and 2022-3, and series 2024-1. We do not believe AART 2023-A is comparable to series 2024-1.

On Sept. 14, 2023, we affirmed our ratings on five classes of notes and raised our ratings on one class of notes from series 2022-1. On Dec. 18, 2022, we affirmed our ratings on 11 classes of notes from series 2022-2 and 2022-3 and raised our ratings on one class of notes from series 2022-3. These rating actions are consistent with the better performance of the outstanding series relative to our initial expectations (see table 5).

We will continue to monitor the performance of the outstanding transactions to ensure that the credit enhancement remains sufficient, in our view, to cover our ECNL under our stress scenarios for each of the rated classes (see table 5 and chart 2).

Table 5

Performance data for outstanding Ally Bank transactions as of the February 2024 distribution date

AART transaction	Month	Pool factor (%)	CNL (%)	60-plus-day delinquency (%)	Initial lifetime CNL expectation (%)	Current lifetime CNL expectation (%)
2022-1	21	40.34	0.46	0.70	1.05-1.15	1.00(i)
2022-2	16	52.44	0.49	0.73	1.10	1.10(ii)

Table 5

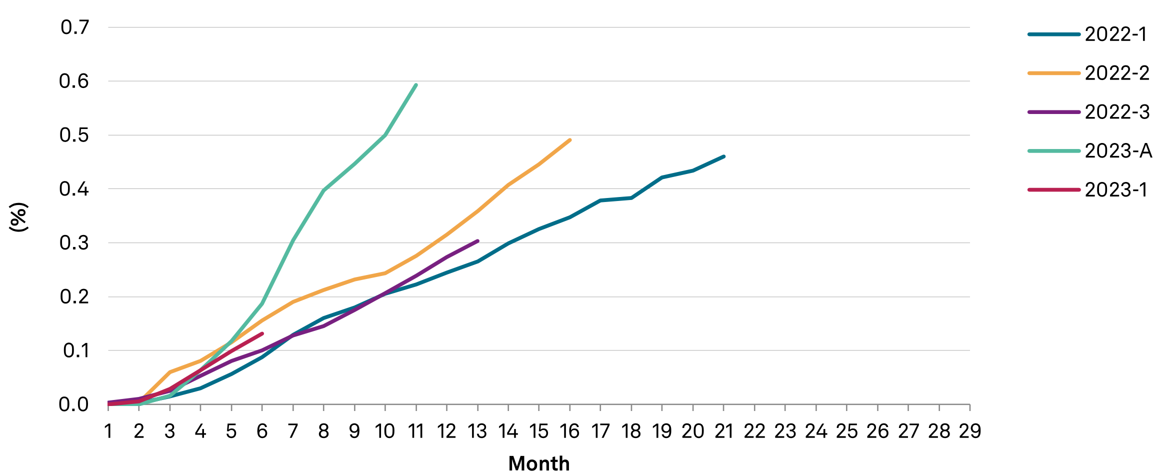
Performance data for outstanding Ally Bank transactions as of the February 2024 distribution date (cont.)

AART transaction	Month	Pool factor (%)	CNL (%)	60-plus-day delinquency (%)	Initial lifetime CNL expectation (%)	Current lifetime CNL expectation (%)
2022-3	13	56.18	0.30	0.59	1.10	1.10(ii)
2023-1(iii)	6	79.31	0.13	0.5	N/A	N/A
2023-A	11	72.5	0.59	0.89	2.15	N/A

(i)Revised September 2023. (ii)Revised December 2023. (iii)Not rated by S&P Global Ratings. AART--Ally Auto Receivables Trust. CNL--Cumulative net loss. N/A--Not applicable.

Chart 2

Ally Bank AART retail auto outstanding securitizations--cumulative net losses



Legal Overview And Transaction Structure

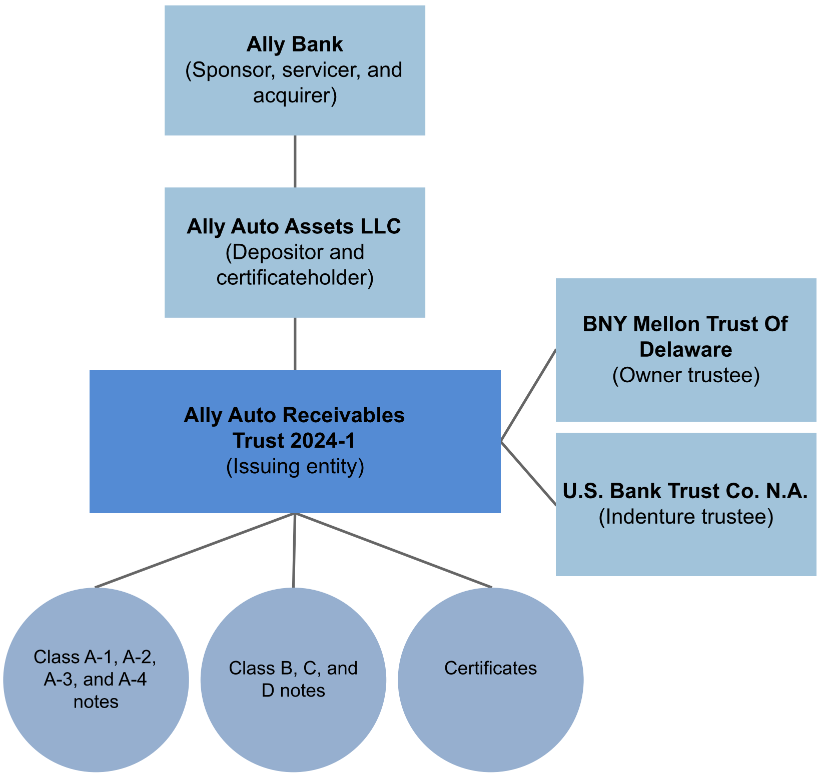
Legal overview

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

The AART 2024-1 transaction is structured as a true sale of the receivables from Ally Bank (the sponsor and acquirer) to Ally Auto Assets LLC (the depositor and a bankruptcy-remote special-purpose entity). Ally Auto Assets LLC, in turn, will sell the receivables as a true sale to AART 2024-1, the issuing entity. AART 2024-1 will issue four classes of notes totaling $1.12 million (see chart 3 for the transaction structure).

Chart 3

Transaction structure



Transaction structure

AART 2024-1 incorporates the following structural features:

- A sequential payment structure in which the subordinated classes will provide non-amortizing credit enhancement to the senior classes.
- A fully funded non-amortizing reserve account that will be at least 0.25% of the initial collateral balance.
- An initial 0.45% overcollateralization amount that builds to a target of 1.30% of the initial collateral balance and is maintained at this level.

Payment Priority

Interest and principal on the notes are scheduled to be paid on each monthly distribution date. The AART 2024-1 transaction's payment priority provides that, as long as the notes are not accelerated following an event of default, the available auto receivables collections will be used to make the distributions shown in table 6. In addition, the funds in the reserve account will be available to cover the servicing fee and the payments that occur before deposits into the reserve account.

Table 6

Payment Waterfall

Priority	Payment
1	The 1.00% annual servicing fee.
2	Fees to the asset representations reviewers and indenture trustee, capped at $275,000 per year.
3	Class A note interest.
4	The first-priority principal payment (if the class A notes' aggregate note principal balance is greater than the aggregate principal balance).
5	Class B note interest.
6	The second-priority principal payment (if the class A and B notes' aggregate note principal balance is greater than the aggregate principal balance after making any first-priority principal payments).
7	Class C note interest.
8	The third-priority principal payment (if the class A, B, and C notes' aggregate principal balance is greater than the aggregate principal balance after making any first- and second-priority principal payments).
9	Class D note interest.
10	The fourth-priority principal payment (if the class A, B, C, and D notes' aggregate principal balance is greater than the aggregate principal balance after making any first-, second-, and third-priority principal payments).
11	Deposit funds into the reserve account until the balance equals the specified reserve account balance.
12	Principal on the notes(i) in an amount equal to the lesser of the following: the notes' aggregate principal balance minus the principal amounts allocated to the notes in items 4, 6, 8, and 10 above or the excess of the notes' aggregate principal balance; minus an amount equal to the aggregate receivables principal balance; minus the overcollateralization target amount.
13	To the indenture trustee, an amount to repay any costs the indenture trustee incurred regarding the servicer's resignation and a successor servicer's appointment.
14	To the indenture trustee, owner trustee, the administrator, and the asset representations reviewer, amounts owed under the indenture, trust agreement, and administration agreement that have not been previously paid in full.
15	Any remaining amounts to the certificateholders.

(i)On each distribution date, the trust will apply the amounts available to make principal payments on the notes sequentially to the class A, then B, then C, and then D notes until each class is paid in full.

If the AART 2024-1 aggregate note balance exceeds the aggregate pool balance, the trust will use principal collections and available excess spread to pay down the notes until the aggregate note balance equals the aggregate pool balance (items 4, 6, 8, and 10 in the payment waterfall). The amounts paid in item 12 in the payment waterfall are designed to use all principal collections and available excess spread to reduce the outstanding principal balance to its targeted level.

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 a haircut to excess spread.

Breakeven analysis

For the AART 2024-1 transaction structure, we used a one-pool method and applied the assumptions outlined in table 7 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's lower breakeven (maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario breakeven requirement.

Based on our stressed cash flows, the breakeven net loss results show that the class A, B, C, and D notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 7).

Table 7

Cash flow assumptions and results

	Class A	Class B	Class C	Class D
Scenario (preliminary rating)	AAA (sf)	AA+ (sf)	AA (sf)	A+ (sf)
Front-loaded loss curve				
Net loss timing (mos.)	12/24/36/48	12/24/36/48	12/24/36/48	12/24/36/48
Net loss (%)	44/84/97/100	44/84/97/100	44/84/97/100	44/84/97/100
ABS voluntary prepayments (%)	1.50	1.50	1.50	1.50
Recoveries (%)	50	50	50	50
Recovery lag (mos.)	4	4	4	4
Servicing fee (%)	1.00	1.00	1.00	1.00
Approximate break-even CNL levels (%)(i)	8.94	7.07	5.52	4.53
Back-loaded loss curve				
Net loss timing (mos.)	12/24/36/48/60	12/24/36/48/60	12/24/36/48/60	12/24/36/48/60
Net loss (%)	30/67/87/94/100	30/67/87/94/100	30/67/87/94/100	30/67/87/94/100
ABS voluntary prepayments (%)	1.50	1.50	1.50	1.50

Table 7

Cash flow assumptions and results (cont.)

	Class A	Class B	Class C	Class D
Recoveries (%)	50	50	50	50
Recovery lag (mos.)	4	4	4	4
Servicing fee (%)	1.00	1.00	1.00	1.00
Approximate break-even CNL levels (%)(i)	9.04	7.17	5.64	4.61

(i)The maximum CNLs on the pool that the transaction can withstand without triggering a payment default on the relevant class of notes with 90% credit to excess spread. ABS--Absolute prepayment speed. CNL--Cumulative net loss.

Ratings constrained by structural subordination consideration

Although the class B and C lowest breakeven levels satisfy our minimum requirements for the preliminary ratings assigned to the respective classes immediately above, given their relative subordinated position and distribution of losses within the transaction's structure, the assigned ratings are structurally constrained (see table 7 and "S&P Global Ratings Definitions," published June 9, 2023).

Sensitivity analysis

In addition to running breakeven cash flows, we conducted a sensitivity analysis using the assumptions in table 7. We believe that under a moderate ('BBB') stress scenario (2.0x of 1.10% expected loss level) and with 90% credit to any excess spread, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 9, 2023 (see table 8 and chart 4).

Table 8

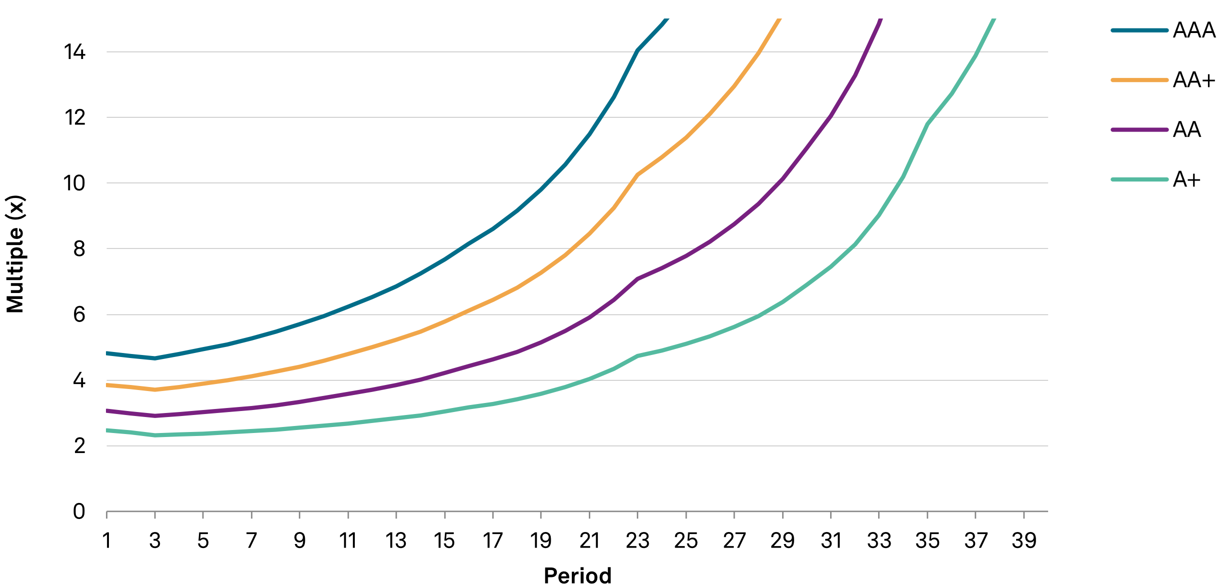
Credit stability as a limiting factor on ratings

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

Sensitivity analysis: 2.20% cumulative net loss--multiple coverage



Legal final maturity

To test the legal final maturity dates set for classes A-2 through C, we determined when the notes would be fully amortized in a zero-loss and zero-prepayment scenario, and then added three months to that date. For the longest-dated security, class D, approximately 12 months were added to the tenor of the pool's longest receivable to accommodate extensions on the receivables that can lengthen the loan term. In our breakeven cash flow scenarios, 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.

Money market tranche sizing

The proposed legal final maturity date for the money market tranche (class A-1) is March 17, 2025. 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 during that time. Based on our cash flow scenario an 0.25% absolute prepayment speed, we observed that the money market tranche would be paid off in full before the legal final maturity date.

Counterparty And Operational Risks

On or before the closing date, the series bank accounts will be established in the name of the account bank, U.S. Bank N.A. (an affiliate of the indenture trustee) 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 a servicer, Ally Bank has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. Ally Financial Inc., Ally Bank's parent company, is rated BBB-/Stable/A-3 by S&P Global Ratings, and commingling risk is addressed by the requirement that all collections are deposited to the series collections account within two business days of collection. Our operational risk assessment of Ally as a servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Ally Bank

Ally Bank was incorporated in 2004 and is a wholly owned, indirect subsidiary of Ally Financial Inc. (BBB-/Stable/A-3). Ally Financial Inc., which is now an independently traded financial services company, is the former GMAC, which was General Motors Corp.'s original captive finance company.

Ally Bank offers consumer retail contracts and consumer leases to and through dealerships and their customers. Ally Bank also provides dealer inventory financing, dealer equipment facilities financing, residential mortgage financing, and wholesale and retail financing.

Both Ally Bank and Ally Servicing LLC service the receivables that Ally Bank originates. Ally's servicing procedures allow them to modify or amend receivables such that the amount financed or the number of originally scheduled due dates may be altered or the last scheduled due date may occur after the final scheduled distribution date without obligation to repurchase the receivable. These permitted payment modifications will occur solely if, in the judgment of the servicer, it is reasonably foreseeable that the obligor will default, and to preserve the value of the receivable and prevent it from going into default (or, if the receivable is already in default, to prevent it from being further impaired). Based on data provided by Ally Bank, these permitted modifications are limited and represent minimal percentages compared to the overall securitized pool balances.

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: Full-Year And December 2023 Performance, Feb. 13, 2024
- One Rating Raised, 11 Ratings Affirmed On Two Ally Auto Receivables Trust Transactions, Dec. 18, 2023
- Ally Financial Inc., Dec. 15, 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
- One Rating Raised And Five Affirmed From Ally Auto Receivables Trust 2022-1, Sept. 14, 2023