

Santander Consumer USA Holdings Inc.

Form S-1/A

January 07, 2014

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As filed with the Securities and Exchange Commission on January 6, 2014

Registration No. 333-189807

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SANTANDER CONSUMER USA HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware (State or other jurisdiction of incorporation or organization)	6141 (Primary Standard Industrial Classification Code Number) 8585 North Stemmons Freeway Suite 1100-N Dallas, Texas 75247 (214) 634-1110	32-0414408 (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

The Registrant hereby amends this Registration Statement on such date as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated January 6, 2014.

PROSPECTUS

Shares

Santander Consumer USA Holdings Inc.

Common Stock

This is the initial public offering of our common stock. The selling stockholders named in this prospectus are selling _____ shares of our common stock. We are not selling any shares of our common stock under this prospectus and will not receive any proceeds from the sale of the shares by the selling stockholders. We currently expect the initial public offering price to be between \$ _____ and \$ _____ per share of common stock.

Some of the selling stockholders have granted the underwriters an option to purchase up to _____ additional shares of common stock.

We have applied to have the common stock listed on the New York Stock Exchange under the symbol _____.

Investing in our common stock involves risks. See Risk Factors beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price		
Underwriting discounts		
Proceeds, to the selling stockholders (before expenses)		

The underwriters expect to deliver the shares to purchasers on or about _____, 2014 through the book-entry facilities of The Depository Trust Company, New York.

Global Coordinators and Joint Book-Running Managers

Citigroup

J.P. Morgan

Joint Book-Running Managers

BofA Merrill Lynch

Deutsche Bank Securities

Santander

Barclays

Goldman, Sachs & Co.

Morgan Stanley

RBC Capital Markets

BMO Capital Markets

Credit Suisse

UBS Investment Bank
Co-Managers

Wells Fargo Securities

KKR

Sandler O'Neill + Partners, L.P.
Prospectus dated

Stephens Inc.
, 2014

LOYAL3 Securities

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We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.

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Unless otherwise indicated, the information presented in this prospectus assumes (i) an initial public offering price of \$ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, and (ii) that the underwriters' over-allotment option is not exercised.

Santander Consumer USA Holdings Inc. is a newly-formed Delaware corporation that has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement. Unless we state otherwise or the context otherwise requires, references in this prospectus to SCUSA, we, our, us, and the Company for all periods after the reorganization transactions described in the section entitled "Reorganization" (which will be completed in connection with this offering) refer to Santander Consumer USA Holdings Inc. and its consolidated subsidiaries after giving effect to such reorganization transactions. For all periods before the completion of such reorganization transactions, these terms refer to Santander Consumer USA Inc., an Illinois corporation, and its predecessors and their respective consolidated subsidiaries.

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About this Prospectus

Market Data

Market data used in this prospectus has been obtained from independent industry sources and publications, such as the Federal Reserve Bank of New York; the Federal Reserve Bank of Philadelphia; the Board of Governors of the Federal Reserve System; The Conference Board; the Consumer Financial Protection Bureau; Equifax Inc.; Experian Automotive; Chrysler Group LLC; Fair Isaac Corporation; FICO® Banking Analytics Blog; Polk Automotive; the United States Department of Commerce: Bureau of Economic Analysis; J.D. Power; and Ward's Automotive Reports. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

For purposes of this prospectus, we categorize the prime segment as borrowers with FICO® scores of 660 and above, the super prime segment as a portion of borrowers within the prime segment with FICO® scores of 720 and above, and the nonprime segment as borrowers with FICO® scores below 660. FICO® is a registered trademark of Fair Isaac Corporation. FICO® scores are provided by Fair Isaac Corporation and are designed to measure the likelihood that a consumer will pay his or her credit obligations as agreed.

Glossary of Selected Terms

Below is a list of additional terms and their respective meanings which we use throughout this prospectus.

Advance Rate

The maximum percentage of the value of collateral that a lender is willing to extend for a loan. The advance rate helps a borrower determine what kind of collateral to provide in order to secure the desired loan amount, and helps minimize a lender's loss exposure when accepting collateral that can fluctuate in value.

Clean-Up Call

The action of an issuer of a debt instrument (such as a bond) requiring early redemption of the instrument before it is fully amortized.

Credit/Warehouse Facility (Line of Credit)

Any credit source extended to a business by a bank or other financial institution. A line of credit is effectively a source of funds that can readily be tapped at the borrower's discretion. Interest is paid only on money actually withdrawn. However, the borrower may be required to pay an unused line fee, often an annualized percentage fee on the money not withdrawn. Lines of credit can be secured by collateral, or may be unsecured.

Credit Enhancement

Through credit enhancement, the lender is provided with reassurance that the borrower will honor the obligation through additional collateral, insurance, or a third-party guarantee. Credit enhancement reduces credit/default risk of a debt, thereby increasing the overall credit rating and lowering interest rates.

Dealer Loans

Floorplan lines of credit, real estate loans, and working capital loans to automotive dealers.

FICO®

A type of credit score that makes up a substantial portion of the credit report that lenders use to assess an applicant's credit risk and whether to extend a loan.

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FICO® is an acronym for the Fair Isaac Corporation, the creator of the FICO® score.

Using mathematical models, the FICO® score takes into account various factors in each of these five areas to determine credit risk: payment history, current level of indebtedness, types of credit used, length of credit history, and new credit. A person's FICO® score will range between 300 and 850.

Floorplan Lines of Credit

A revolving line of credit that allows the borrower to obtain financing for retail goods. These loans are made against a specific piece of collateral (e.g., auto, recreational vehicle, manufactured home). When each piece of collateral is sold by the dealer, the loan advance against that piece of collateral is repaid.

Impairment Reserves

Loan loss reserves recorded on a portfolio of loans acquired with credit deterioration to cover losses incremental to those expected at the time of acquisition.

Loans That We Acquired and/or Convert

Loans that are included in pools of loans that we acquired as a portfolio from a third party.

Loans That We Originate

(i) Loans that we originate directly, (ii) individual retail installment contracts that we acquire from dealers immediately after origination by a dealer, and (iii) unsecured consumer loans, which includes point-of-sale financing, personal loans, and private label credit cards.

Nonaccretable Difference

The difference between the undiscounted contractual cash flows and the undiscounted expected cash. The nonaccretable difference represents an estimate of the credit risk in the loan portfolio at the acquisition date.

Non-captive Vehicle Lender

A lender that is not owned by a vehicle manufacturing company.

Off-Lease

A vehicle which was once leased, but now has been returned to the lessor due to contractual or early lease termination.

Origination Channels

The specific business relationship or channel through which a loan is made to a customer.

Overcollateralization

The process of posting more collateral than is needed to obtain or secure financing. Overcollateralization is often used as a method of credit enhancement by lowering the creditor's exposure to default risk.

Perfectured Security Interest

Security interest in an asset protected from claims by other parties. A lien is perfected by registering it with appropriate statutory authority so that it is made legally enforceable and any subsequent claim on that asset is given a junior status. Also called a perfected lien.

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Private-Label Loans/Leases

Financings branded in the name of the product manufacturer rather than in the name of the finance company.

Remarketing

Vehicle remarketing is the controlled disposal of fleet and leasing vehicles that have reached the end of their fixed term or the process to resell repossessed vehicles.

Residual Values

Residual value describes the future value of a good at the end of the lease term based upon the percentage of depreciation of its initial value.

Subordinate Financing

Debt financing that is ranked behind that held by secured lenders in terms of the order in which the debt is repaid.

Subvention Program

Reimbursement to the finance company by a manufacturer for the difference between a market loan or lease rate and the below-market rate granted to the customer.

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SUMMARY

The following is a summary of selected information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before deciding to purchase shares of common stock. You should read this entire prospectus carefully, particularly the section entitled Risk Factors immediately following this summary, the historical financial statements, and the related notes thereto and management's discussion and analysis thereof included elsewhere in this prospectus, before making an investment decision to purchase our common stock.

Background

Overview

We are a full-service, technology-driven consumer finance company focused on vehicle finance and unsecured consumer lending products. We believe that, since our founding in 1995, we have achieved strong brand recognition in the nonprime vehicle finance space and have recently increased our presence in the prime space. We leverage our knowledge of consumer behavior via our sophisticated, proprietary software, which allows us to effectively price, manage, and monitor risk. As a result of our deep understanding of the market, we have consistently produced controlled growth and robust profitability in both economic expansions and downturns.

We believe our extensive data and advanced analytics tools enhance our proprietary loan origination, servicing and risk management platforms. We believe that these platforms are technologically sophisticated, readily expandable, and easily adaptable to a diverse set of consumer finance products. Led by our experienced and disciplined management team, we have rapidly grown our asset base since 2008 through originations and acquisitions without having to significantly invest in new infrastructure or compromise our credit performance. Our originations are sourced through many different channels, and we continue to grow our network of relationships in order to maximize our opportunities for growth. Our technologically-driven platform has enabled us to add over \$34 billion of assets to our lending platform since 2008, and we continue to evaluate opportunities for additional acquisitions. Moreover, we service loans for others, which provides us with an additional and stable fee income stream.

Historically, we have originated loans primarily through franchised automotive dealers for manufacturers such as Chrysler, Ford, General Motors, and Toyota in connection with the sale of new and used vehicles to retail consumers. We currently have active relationships with over 14,000 such dealers throughout the United States. In February 2013, we entered into a ten-year agreement with Chrysler Group LLC (Chrysler) whereby we originate private-label loans and leases under the Chrysler Capital brand (Chrysler Capital) to facilitate Chrysler vehicle retail sales. We also originate loans through selected independent automobile dealers, such as CarMax, through national and regional banks as well as through relationships with other original equipment manufacturers (OEMs). Additionally, we directly originate and refinance vehicle loans via our branded online platform, RoadLoans.com, which is available through major online affiliates including Cars.com, AutoTrader.com, Kelley Blue Book, and eBay Motors. Moreover, we periodically purchase retail vehicle loan portfolios from other lenders.

We also provide unsecured consumer loans. Recently, we have entered into relationships with Bluestem Brands (Bluestem), a retailer, and LendingClub Corporation (LendingClub), a peer-to-peer lending platform, to acquire and, in certain circumstances, service unsecured consumer loans. In addition, we are utilizing our deep understanding of consumer finance to expand into private label credit cards and other unsecured consumer finance products.

We derive significant benefits from our relationship with Banco Santander, S.A. (Santander), a leader in the banking and consumer finance industries and, as of September 30, 2013, the largest bank in the Eurozone by

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market capitalization. Santander has demonstrated its continuing commitment to us by extending \$4.5 billion in credit facilities with terms of three and five years, and annual renewal mechanisms, as well as a \$0.5 billion letter of credit facility. Santander also provided us with financing to opportunistically acquire and/or convert several large portfolios of loans and certain operations from CitiFinancial Auto, Triad Financial, HSBC Auto, and GE Capital (recreational vehicle/marine portfolio), among others.

We have significant access to the capital markets: we have issued and sold over \$26 billion in securitization transactions since 2010, obtained approximately \$13.7 billion in committed credit lines and privately issued amortizing notes from large commercial banks, and entered into material flow agreements with large commercial banks. In 2011, funds managed by three of the world's leading private equity investment firms, Centerbridge Partners, L.P., Kohlberg Kravis Roberts & Co. L.P., and Warburg Pincus LLC, purchased \$1.0 billion of newly issued common stock.

Our Markets

The consumer finance industry in the United States has approximately \$2.5 trillion of outstanding borrowings and includes vehicle loans and leases, credit cards, home equity lines of credit, private student loans, and personal loans. As economic conditions continue to recover from the 2008-2009 downturn, there has been significant demand from consumers for loans and leases, particularly to finance the purchase of vehicles.

Our primary focus is the vehicle finance segment of the U.S. consumer finance industry. Vehicle finance includes loans and leases taken out by consumers to fund the purchase of new and used automobiles, motorcycles, recreational vehicles (RVs), and watercraft. The automobile finance segment comprises the significant majority of the vehicle finance market in the United States. As of September 30, 2013, there were approximately \$850 billion of such loans and leases outstanding. Most new and used car purchases in the U.S. are financed with either loans or leases. Historically, used car financing has made up a majority of our business. Most loans in the used car space, which is substantially fragmented, are made to nonprime borrowers and we believe we are a leader in nonprime auto loan originations. We compete with large national and regional banks, which are the biggest lenders in the used car finance space. Through Chrysler Capital and other relationships, we have been increasing, and expect to continue to increase, the proportion of loans and leases that we originate to finance consumer purchases of new automobiles and, by extension, to prime consumers.

We also participate in the unsecured consumer lending market, which includes credit cards, private student loans, point-of-sale financing, and personal loans. This market continues to represent an attractive opportunity for us. Consumers have faced declining access to traditional sources of consumer credit such as credit cards and home equity lines of credit over the past several years, while improving economic conditions have increased consumer demand for access to new sources of financing. We have recently entered into several agreements with other participants in the unsecured consumer lending space to originate point-of-sale financing and personal loans.

In both the vehicle finance and unsecured consumer lending markets, we generate originations indirectly and directly. The indirect model requires relationships with third parties who are generally active in the market, are looking for an additional source of financing for their customers, and agree to direct certain customers to SCUSA. The direct model requires an internally managed platform through which consumers are able to make requests for credit directly to SCUSA. While we have historically focused on the indirect model, we are broadening our presence in the direct vehicle finance market through our RoadLoans.com platform and we are currently building out our direct unsecured consumer lending platform. Additionally, we continue to develop new relationships with third parties to further broaden our origination channels within these markets.

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Our Strengths

Technology-Driven Platforms Drive Superior Credit and Operational Performance. We have internally developed proprietary software applications that we believe are highly effective and leverage nearly 20 years of consumer behavior across the full credit spectrum. These systems enable us to effectively monitor, price and manage risk on a real-time basis and at a highly granular level, including by vintage, origination channel, brand, and location where the loan or lease was originated. This technology also allows us to expand our existing relationships and explore new relationships at a low marginal cost. Our internally generated data, acquired historical credit data, and extensive third-party data are utilized to continuously adapt our origination, servicing and risk management platforms to evolving consumer behavior and product performance. The strength of our platforms is demonstrated by our proactive decision to tighten credit standards prior to the recent economic downturn and by our successful acquisition and/or conversion of over \$34 billion of assets onto our platform since 2008. Another benefit of our technology-driven platform is that it allows us to move quickly. For example, in 2010 we onboarded a portfolio of \$14.4 billion in assets in just four months.

Growth-Oriented Business Model. We have demonstrated the ability to grow and diversify within the consumer finance industry. We have successfully built mutually beneficial relationships with Chrysler, CarMax, other national automotive dealer groups, national and regional banks, and others. With Chrysler Capital, we expect to significantly grow our vehicle finance portfolio, which we believe will more than offset the run-off of previously acquired portfolios, diversify our vehicle finance products, and continue to increase the volume of new vehicle financings. As of the month ended September 30, 2013, new vehicle financings as a percentage of our originations increased from approximately 10%-20% historically to over 40%. Additionally, our wide range of origination channels complements our granular risk management, allowing us to reduce growth in channels with pricing or risk concerns and supplement that volume with more attractive channels at that time. We have also entered into committed flow agreements with leading commercial banks under which we retain certain servicing rights that will provide us with additional and stable fee income. We believe we can quickly and efficiently provide similar or expanded offerings for others, including OEMs and consumer lenders, and we are actively developing these offerings. Further, our platforms will continue to facilitate our expansion into unsecured consumer lending and servicing.

Robust Financial Performance. We have been profitable every year for the last ten years, including throughout the most recent economic downturn. We believe this consistent profitability can be attributed to our credit analysis, pricing discipline, and efficient low-cost structure. In addition, while portions of our nonprime customer base produce relatively high losses, we structure and apply risk-adjusted pricing to these loans to produce attractive risk-adjusted yields that result in a consistent return on capital. As evidence of this, we delivered an average return on assets of 3.9% from 2009 to 2012 and a return on total common equity of more than 30% in each of those years and have continued to deliver similar levels of return on assets and equity year-to-date in 2013, which we believe provides us with the ability to support our growth organically and return capital to our shareholders.

Deep Access to Committed Funding. We have access to diverse and stable financing sources, including in the broader capital markets. We have issued and sold over \$26 billion of asset-backed securities (ABS) since 2010, were the largest U.S. issuer of retail auto ABS in 2011, 2012, and 2013. We have significant bank funding relationships, with third-party banks and Santander currently providing approximately \$13.7 billion and \$4.5 billion, respectively, in committed financing. We also have a \$17 billion retail flow agreement in place with Bank of America and a dealer lending flow agreement in place with Santander Bank N.A. (SBNA, formerly Sovereign Bank), which is wholly owned by Santander. We provide servicing, for a fee, on all loans originated under these arrangements. Further, we have been able to attract a substantial amount of third-party capital from our private equity sponsors.

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Strong Relationship with Santander. Santander, operating through Santander Consumer Finance's pan-European platform, is one of the top three consumer lending companies and is a leading non-captive vehicle lender in twelve European countries. Santander Consumer Finance's eleven global OEM relationships and large vehicle loan portfolio provide future opportunities for us. Santander, a deposit-funded lender, also has provided us with significant funding support, both through existing committed liquidity and opportunistic extensions of credit. Because of our relationship with Santander, we are subject to the regulatory oversight of the Federal Reserve System (the "Federal Reserve"). This oversight has led us to develop and maintain extensive risk management and reporting procedures and has helped us to continually adapt to the evolving regulatory requirements for consumer finance in the United States.

Experienced Management Team. Our management team has ably steered the company through economic expansions as well as downturns, as evidenced by our strong financial performance in 2008 and 2009. Thomas G. Dundon, our Chief Executive Officer and one of our founders, has approximately 20 years of experience in the consumer finance industry. In addition, Jason Kulas, our President and Chief Financial Officer, has approximately 18 years of experience in the financial services industry and seven years of experience as our Chief Financial Officer. Further, our senior management team has an average of over 16 years of experience across the financial services and consumer industries. Our management will also hold meaningful stakes in the company after giving effect to the offering. Mr. Dundon will own approximately % of our outstanding common stock as well as options to purchase an additional %, and the remainder of our senior management team in aggregate will own approximately % of our common stock and options to purchase an additional %.

Our Business Strategy

Our primary goal is to create stockholder value by leveraging our systems, data, liquidity and management. Our growth strategy is to increase market penetration in the consumer finance industry either by increasing share in existing channels or by broadening the number of origination channels while deploying our capital and funding efficiently.

Expand Our Vehicle Finance Franchise

Organic Growth in Indirect Auto Finance. We have a deep knowledge of consumer behavior across the full credit spectrum and are a key player in the U.S. vehicle finance market. We have the ability to continue to increase our market penetration in the vehicle finance market, subject to attractive market conditions, via the number and depth of our relationships. We plan to achieve this in part through rolling out alliance programs with national vehicle dealer groups and financial institutions, including banks, credit unions, and other lenders, in both the prime and nonprime vehicle finance markets. Our technology-based platform enables us to integrate seamlessly with other originators and thereby benefit from their channels and brands.

Strategic Alliances with OEMs. We plan to expand our existing OEM relationships and develop future relationships with other OEMs to drive incremental origination volume. The loans and leases originated through Chrysler Capital should provide us with the majority of our near-term expected growth. In addition, the experience gained in lease and dealer financing can be applied to improve origination volume through the rest of our dealer base. Our relationship with Chrysler has accelerated our transformation into a full-service vehicle finance company that provides financial products and services to consumers and automotive dealers.

Growth in Direct-to-Consumer Exposure. We are working to further diversify our vehicle finance product offerings by expanding our web-based, direct-to-consumer offerings. Our RoadLoans.com program is a preferred finance resource for many major vehicle shopping websites, including Cars.com, AutoTrader.com, Kelley Blue Book, and eBay Motors. In addition, we are working to integrate our direct-to-consumer offerings with many of the major vehicle brands in the United States, including Chrysler, Jeep, Dodge, Ram, and Fiat. We will continue to focus on securing relationships with additional vehicle-related websites.

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Expansion of Fee-Based Income Opportunities. We seek out opportunities to leverage our sophisticated and adaptable servicing platform for both prime and nonprime loans, as well as other vehicle finance and unsecured consumer lending products. We collect fees to originate and service loan portfolios for third parties, and we handle both secured and unsecured loan products across the full credit spectrum. Loans sold to or sourced to third-party banks through flow agreements also provide additional opportunities to service large vehicle loan pools. We believe our loan servicing business is scalable and provides an attractive return on equity, and we intend to continue to develop new third-party relationships to increase its size. In 2013, as of September 30, we have added over \$1 billion of assets to our portfolio of assets serviced for others.

Continue to Grow Our Unsecured Consumer Lending Platform

We are further diversifying our business through our strategic relationships in the unsecured consumer lending space, which is a rapidly growing segment of the consumer finance market in the United States. Our ability to offer these products is derived from our expertise in originating nonprime vehicle retail loans, our data on consumers across the credit spectrum, and Santander's expertise in the unsecured consumer lending industry. One of our principal strategic consumer finance relationships is with Bluestem. Bluestem's customers rely on Bluestem proprietary credit products at point of sale to make purchases, and we have the option to purchase certain loans through April 2020. We also have a strategic relationship with LendingClub, pursuant to which we invest in or purchase personal loans. Furthermore, we have a pipeline of private label credit card initiatives we expect to pursue, including several through our relationship with a point-of-sale lending technology company.

Risks Associated with Our Business and Growth Strategy

Participating in this offering involves substantial risk. Although we have set forth our competitive strengths and growth strategy above, our ability to execute our strategy and grow our business is subject to certain challenges and risks. The vehicle finance industry is a competitive and highly fragmented industry, with no individual lender capturing more than 10% of the market. We may be at a competitive disadvantage with regard to certain of our competitors who are able to provide financing on more favorable terms or who have more beneficial relationships with automobile manufacturers and dealerships. This competition could reduce our market share or cause us to be unable to successfully execute all or part of our strategy. Some of the more significant challenges and risks include the following:

Adverse economic conditions in the United States and worldwide may negatively impact our results. We are subject to changes in general economic conditions that are beyond our control, such as periods of economic slowdown, increased unemployment rates and disruptions in the global financial markets, which could decrease consumer demand for automobiles and other consumer products and increase our delinquencies, defaults, repossessions and losses.

Our business could be negatively impacted if our access to funding is reduced. We rely upon our ability to sell securities in the ABS market and upon our ability to access various credit facilities to fund our operations, and the continued availability of these funding sources depends, in part, on factors outside of our control. If these sources of funding become unavailable to us, we may have to curtail our loan acquisition and organization activities.

We face significant risks implementing our growth strategy, some of which are outside our control. Our ability to execute a growth strategy of expanding our vehicle finance franchise and growing our unsecured consumer lending platform is subject to risks such as the inherent uncertainty regarding general economic conditions, our ability to obtain adequate financing for our expansion plans, changes in the applicable laws and regulatory environment, the degree of competition in new markets and our ability to recruit qualified personnel.

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Our recent agreement with Chrysler may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement. The loans and leases originated through Chrysler Capital are expected to provide us with the majority of our projected growth over the next several years. If we are unable to realize the expected benefits of our relationship with Chrysler, or if our agreement with Chrysler were to terminate for failure to meet certain milestones and performance metrics, our future growth would be negatively impacted.

Our business could be negatively impacted if we are unsuccessful in developing and maintaining relationships with automobile dealerships. Our ability to acquire loans and automotive leases is reliant on our relationships with reputable automotive dealers that direct consumers to our offices or originate loans at the point-of-sale, which we subsequently purchase. None of our relationships are exclusive, and they may be terminated at any time.

Our financial condition, liquidity, and results of operations depend on the credit performance of our loans. Nonprime receivables, which comprise more than 80% of our consumer loans, experience higher default rates than prime receivables, which subjects us to a higher risk of losses on those receivables. In addition, our prime portfolio, for which we have less ability to make risk adjustments to pricing compared to our nonprime loan portfolio, is rapidly growing. As a result, a larger proportion of our business will consist of loans with respect to which we have less flexibility to adjust pricing to absorb losses.

The above list is not exhaustive, and we face additional challenges and risks. Before you participate in this offering, you should carefully consider all of the information in this prospectus, including matters set forth under the section entitled Risk Factors.

Reorganization

In July 2013, Santander Consumer USA Inc., an Illinois corporation (SCUSA Illinois), formed Santander Consumer USA Holdings Inc., a Delaware corporation (SCUSA Delaware), and SCUSA Merger Sub Inc., an Illinois corporation and a wholly owned subsidiary of SCUSA Delaware (SCUSA Merger Sub). Both SCUSA Delaware and SCUSA Merger Sub were formed solely for the purpose of effecting this offering. Neither SCUSA Delaware nor SCUSA Merger Sub has engaged in any business or other activities except in connection with their respective formations and effecting this offering, and, except for SCUSA Delaware holding the stock of SCUSA Merger Sub, neither holds any assets and, except for SCUSA Merger Sub being a wholly owned subsidiary of SCUSA Delaware, neither has any subsidiaries. Prior to the consummation of this offering, SCUSA Merger Sub will merge with and into SCUSA Illinois, with SCUSA Illinois surviving the merger as a wholly owned subsidiary of SCUSA Delaware, the registrant. In the merger, all of the outstanding shares of common stock of SCUSA Illinois will be converted into shares of SCUSA Delaware common stock on a for basis. We refer to these transactions as the Reorganization.

Principal Stockholders

The majority of our common stock is held collectively by (1) Santander Holdings USA, Inc. (SHUSA), a wholly owned subsidiary of Santander; (2) Sponsor Auto Finance Holdings Series LP (Auto Finance Holdings), an investment vehicle owned by (i) funds managed by Centerbridge Partners, L.P., Kohlberg Kravis Roberts & Co. L.P., and Warburg Pincus LLC; (ii) DFS Sponsor Investments LLC, an entity affiliated with Mr. Dundon; and (iii) our President and Chief Financial Officer; and (3) DDFS LLC, an entity owned by Mr. Dundon. We refer to these three stockholders, collectively, as our Principal Stockholders.

SHUSA is a bank holding company with total assets of \$77 billion as of September 30, 2013. SHUSA's primary assets include our common stock and all of the stock of SBNA, whose primary business consists of attracting deposits from its network of over 700 retail branches and originating small business loans, middle

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market commercial loans, multi-family loans, residential mortgage loans, home equity loans and lines of credit, and vehicle and other consumer loans in the communities served by its branches.

Centerbridge Partners, L.P. is a private investment firm based in New York City and has approximately \$20 billion in capital under management as of September 2013. The firm focuses on private equity and credit investments. The firm is dedicated to partnering with world-class management teams across targeted industry sectors to help companies achieve their operating and financial objectives.

Kohlberg Kravis Roberts & Co. L.P., together with its affiliates (KKR), is a leading global investment firm with approximately \$90 billion in assets under management as of September 30, 2013. KKR offers a broad range of investment management services to fund investors and provides capital markets services for the firm, its portfolio companies, and third parties. KKR has over 80 portfolio companies in its private equity funds.

Warburg Pincus is a leading global private equity firm focused on growth investing. Founded more than 40 years ago, the firm has remained true to a unique and enduring strategy of investing in growth businesses in partnership with entrepreneurs and superior management teams. As of September 30, 2013, the firm has more than \$35 billion of assets under management and an active private equity portfolio of more than 125 companies globally.

Our management will also hold meaningful stakes in the company after giving effect to the offering. Mr. Dundon will own approximately % of our common stock as well as options to purchase an additional %, and the remainder of our senior management team in aggregate will own approximately % of our common stock and options to purchase an additional %. See Certain Relationships and Related Party Transactions and Security Ownership of Certain Beneficial Owners, Management and Selling Stockholders and the documents referred to herein for more information with respect to our relationship with our Principal Stockholders.

The December 2011 equity transaction whereby Auto Finance Holdings became a stockholder in SCUSA is referred to in this document as the Equity Transaction.

Additional Information

Our principal executive offices are located at 8585 North Stemmons Freeway, Suite 1100-N, Dallas, Texas 75247, and our telephone number is (214) 634-1110. Our Internet address is www.santanderconsumerusa.com. Information on, or accessible through, our website is not part of this prospectus.

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The Offering

Issuer	Santander Consumer USA Holdings Inc.
Common stock offered by the selling stockholders	shares of common stock.
Underwriters' over-allotment option to purchase additional shares	shares of common stock from the selling stockholders.
Common stock to be outstanding immediately after this offering	shares of common stock. ⁽¹⁾
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.
Voting rights	One vote per share.
Dividend policy	It has been our policy to pay a dividend to all common stockholders. Following the completion of this offering, we currently intend to pay dividends on a quarterly basis at an initial amount of approximately \$ per share. Our board of directors may also change or eliminate the payment of future dividends at its discretion, without prior notice to our stockholders, and our dividend policy and practice may change at any time and from time to time in the future. Any future determination to pay dividends to our stockholders will be dependent upon our financial condition, results of operations, capital requirements, government regulations, and any other factors that our board of directors may deem relevant at such time and from time to time. For information regarding our recent dividends, see Dividend Policy.
Listing	We have applied to list our common stock on the New York Stock Exchange (which we refer to as NYSE) under the trading symbol .
Risk factors	Please read the section entitled Risk Factors beginning on page 13 for a discussion of some of the factors you should consider before buying our common stock.

⁽¹⁾ Based on shares of common stock issued and outstanding as of , after giving effect to the Reorganization. As of , there were holders of our common stock. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding does not include an aggregate of up to shares of common stock comprised of:

shares of common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of \$ per share, of which shares were vested as of ; and

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shares of common stock reserved for issuance under our 2011 Management Equity Plan.

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Directed Share Program

At our request, the underwriters have reserved up to 3% of the shares of common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. See Underwriting.

LOYAL3 Platform

At our request, the underwriters have reserved up to 2% of the shares of common stock offered by this prospectus to be offered through the LOYAL3 platform at the initial public offering price. See Underwriting.

Conflict of Interest

Because Santander Investment Securities Inc. and KKR Capital Markets LLC, underwriters for this offering, are under common control with us, a conflict of interest under Financial Industry Regulatory Authority (FINRA) Rule 5121 is deemed to exist. Accordingly, this offering will be conducted in accordance with that rule. See Underwriting Conflict of Interest.

Table of Contents**Summary Historical Consolidated Financial Data**

The following summary consolidated financial data should be read in conjunction with, and are qualified by reference to, Selected Historical Consolidated Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The summary consolidated statement of income data for the years ended December 31, 2012, 2011, and 2010 and the summary consolidated balance sheet data at December 31, 2012 and 2011 has been derived from, and is qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The summary consolidated statement of income data for the years ended December 31, 2009 and 2008 and the summary consolidated balance sheet data at December 31, 2010, 2009, and 2008 has been derived from audited consolidated financial statements that are not included in this prospectus. The summary consolidated statement of income data for the quarterly and year-to-date periods ended September 30, 2013 and 2012 and the summary consolidated balance sheet data at September 30, 2013 are derived from, and qualified by reference to, our unaudited interim consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto.

Santander Consumer USA Holdings Inc. has not engaged in any operations or conducted any activities other than those incidental to its formation and to preparations for the Reorganization and this offering. It will have only nominal assets and no liabilities prior to the consummation of the Reorganization and this offering. Upon closing, its assets will include shares in Santander Consumer USA Inc., its wholly owned subsidiary and operating company, and the cash proceeds of this offering. See Reorganization. Accordingly, this prospectus includes, and the discussion below is based solely on, the historical financial statements of Santander Consumer USA Inc.

	Three Months Ended		Nine Months Ended		Year Ended				
	September 30,	September 30,	September 30,	September 30,	December 31,	December 31,	December 31,	December 31,	December 31,
	2013	2012	2013	2012	2012	2011	2010	2009	2008
(Dollar amounts in thousands, except per share data)									
Income Statement Data									
Income from individually acquired retail installment contracts	\$ 879,628	\$ 580,360	\$ 2,333,857	\$ 1,600,054	\$ 2,223,833	\$ 1,695,538	\$ 1,308,728	\$ 1,281,515	\$ 1,396,610
Income from purchased receivables portfolios	87,237	161,753	327,712	545,819	704,770	870,257	734,634	218,240	105,229
Other financing income	44,627	2,845	62,205	7,416	19,899	28,718	33,216	10,485	5,333
Interest and fees on finance receivables and loans	1,011,492	744,958	2,723,774	2,153,289	2,948,502	2,594,513	2,076,578	1,510,240	1,507,172
Interest expense	120,589	98,774	291,062	293,238	374,027	418,526	316,486	235,031	256,356
Net other finance and interest income	9,643	2,950	17,486	9,423					
Net interest margin	900,546	649,134	2,450,198	1,869,474	2,574,475	2,175,987	1,760,092	1,275,209	1,250,816
Provision for loan losses on individually acquired retail installment contracts	447,565	243,698	1,074,487	683,000	1,119,074	741,559	750,625	720,938	823,024
Incremental increase (decrease) in allowance related to purchased	93,718	(57,823)	51,654	(22,798)	3,378	77,662	137,600		

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receivables									
portfolios									
Other provisions									
for loan losses	56,918		97,664						
Provision for loan									
losses	598,201	185,875	1,223,805	660,202	1,122,452	819,221	888,225	720,938	823,024
Profit sharing	27,238		34,802						
Other income	78,340	74,291	208,878	238,890	295,689	452,529	249,028	48,096	43,120
Costs and									
expenses	176,140	183,730	496,312	464,192	559,163	557,083	404,840	249,012	209,315
Income tax									
expense	65,486	141,261	322,413	372,266	453,615	464,034	277,944	143,834	87,472
Net income	111,821	212,559	581,744	611,704	734,934	788,178	438,111	209,521	174,125
Net income									
attributable to									
Santander									
Consumer USA									
Inc shareholders	111,245	168,467	583,565	595,846	715,003	768,197	438,111	209,521	174,125
Share Data									
Weighted-average									
common shares									
outstanding									
Basic	129,822,780	129,819,883	129,821,712	129,819,883	129,819,883	92,277,053	92,173,913	92,173,913	92,173,913
Diluted	129,822,780	129,819,883	129,821,712	129,819,883	129,819,883	92,277,053	92,173,913	92,173,913	92,173,913

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	Three Months Ended		Nine Months Ended				Year Ended			
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	
(Dollar amounts in thousands, except per share data)										
Earnings per share attributable to Santander Consumer USA Inc shareholders										
Basic	\$ 0.86	\$ 1.30	\$ 4.50	\$ 4.59	\$ 5.51	\$ 8.32	\$ 4.75	\$ 2.27	\$ 1.89	
Diluted	\$ 0.86	\$ 1.30	\$ 4.50	\$ 4.59	\$ 5.51	\$ 8.32	\$ 4.75	\$ 2.27	\$ 1.89	
Net tangible book value per common share at period end										
Excluding other comprehensive income (loss)	\$ 18.85		\$ 18.85		\$ 16.04	\$ 16.20	\$ 6.95	\$ 6.37	\$ 4.49	
Including other comprehensive income (loss)	\$ 18.80		\$ 18.80		\$ 15.97	\$ 16.11	\$ 6.95	\$ 6.24	\$ 4.06	
Dividends declared per share of common stock										
Basic	\$	\$ 1.12	\$ 2.24	\$ 3.67	\$ 5.66	\$ 5.05	\$ 4.34			
Diluted	\$	\$ 1.12	\$ 2.24	\$ 3.67	\$ 5.66	\$ 5.05	\$ 4.34			
Balance Sheet Data (1)										
Finance receivables and loans	\$ 21,238,684		\$ 21,238,684		\$ 16,265,820	\$ 16,715,703	\$ 15,032,046	\$ 7,466,267	\$ 5,600,102	
Goodwill and intangible assets	128,573		128,573		126,700	125,427	126,767	142,198	105,643	
Total assets	25,608,280		25,608,280		18,741,644	19,404,371	16,773,021	8,556,177	6,044,454	
Total borrowings	22,683,397		22,683,397		16,227,995	16,790,518	15,065,635	7,525,930	5,432,338	
Total liabilities	23,039,122		23,039,122		16,502,178	17,167,686	16,005,404	7,838,862	5,564,986	
Total equity	2,569,158		2,569,158		2,239,466	2,236,685	767,617	717,315	479,468	
Allowance for loan losses	2,355,087		2,355,087		1,774,002	1,208,475	840,599	384,396	347,302	
Other Information										
Charge-offs, net of recoveries	\$ 371,396	\$ 272,692	\$ 772,187	\$ 710,002	\$ 1,008,454	\$ 1,025,133	\$ 709,367	\$ 683,844	\$ 679,172	
End of period Delinquent principal over 60 days	969,886		969,886		865,917	767,838	579,627	502,254	477,141	
End of period Gross finance receivables and loans	24,201,063		24,201,063		18,655,497	18,754,938	16,843,774	8,309,153	6,360,982	
Average gross individually acquired retail installment contracts	19,790,033	12,704,563	17,180,908	11,527,698	12,082,026	8,843,036	6,631,231	5,690,833	5,396,355	
Average gross purchased receivables portfolios	2,676,906	5,706,495	3,325,260	6,798,200	6,309,497	7,270,080	4,978,727	975,080	320,903	
	23,246,772	18,539,064	21,396,754	18,454,847	18,501,710	16,282,215	12,111,969	7,266,079	5,728,599	

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Average Gross finance receivables and loans									
Average Total assets	24,352,346	18,530,771	21,514,270	18,300,123	18,411,012	16,067,623	11,984,997	6,930,260	5,520,652
Average Debt	21,451,420	15,781,659	18,681,703	15,528,709	15,677,522	14,557,370	10,672,331	6,083,953	4,989,280
Average Total equity	2,525,997	2,365,722	2,453,782	2,334,008	2,312,781	916,219	850,219	594,097	406,680
Ratios (2)									
Yield on individually acquired retail installment contracts	17.8%	18.3%	18.1%	18.5%	18.4%	19.2%	19.7%	22.5%	25.9%
Yield on purchased receivables portfolios	13.0	11.3	13.1	10.7	11.2	12.0	14.8	22.4	32.8
Yield on interest-earning assets	17.4	16.1	17.0	15.6	15.9	15.9	17.1	20.8	26.3
Cost of interest-bearing liabilities	2.2	2.5	2.1	2.5	2.4	2.9	3.0	3.9	5.1
Efficiency ratio	18.0	25.4	18.7	22.0	19.5	21.2	20.2	18.8	16.2
Return on average assets	1.8	4.6	3.6	4.5	4.0	4.9	3.7	3.0	3.2
Return on average equity	17.7	35.9	31.6	34.9	31.8	86.0	51.5	35.3	42.8
Net chargeoff ratio	6.4	5.9	4.6	5.1	5.5	6.3	5.9	9.4	11.9
Delinquency ratio	4.0		4.0		4.6	4.1	3.4	6.0	7.5
Tangible common equity to tangible assets	9.6		9.6		11.3	11.0	3.8	6.8	6.3
Common stock dividend payout ratio	0.0	86.3	49.8	80.0	102.8	60.6	91.3	0.0	0.0

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- (1) Balance sheet data as of September 30, 2012 has been excluded.
(2) Yield on interest-earning assets is defined as the ratio of Interest and fees on finance receivables and loans to Average gross finance receivables and loans.

Cost of interest-bearing liabilities is defined as the ratio of Interest expense to Average debt during the period.

Efficiency ratio is defined as the ratio of Costs and expenses to the sum of Net interest margin and Other income.

Return on average assets is defined as the ratio of Net income to Average total assets.

Return on average equity is defined as the ratio of Net income to Average total equity.

Net charge-off ratio is defined as the ratio of Charge offs, net of recoveries, to Average gross finance receivables and loans.

Delinquency ratio is defined as the ratio of Delinquent principal over 60 days, end of period to Gross finance receivables and loans, end of period.

Tangible common equity to total tangible assets ratio is defined as the ratio of Total equity, excluding Goodwill and intangible assets, to Total assets excluding Goodwill and intangible assets.

Common stock dividend ratio is defined as the ratio of Dividends declared per share of common stock during the period to Net income attributable to Santander Consumer USA Inc. shareholders.

Activity-based ratios for the periods ending September 30, 2013 and 2012 are presented on an annualized basis.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus including our consolidated financial statements, and the related notes thereto, before deciding to invest in our common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flow. In such case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Business

Adverse economic conditions in the United States and worldwide may negatively impact our results.

We are subject to changes in general economic conditions that are beyond our control. During periods of economic slowdown such as the recent economic downturn, delinquencies, defaults, repossessions, and losses generally increase while proceeds from auction sales decrease. These periods may also be accompanied by increased unemployment rates, decreased consumer demand for automobiles and other consumer products, and declining values of automobiles and other consumer products securing outstanding accounts, which weaken collateral coverage and increase the amount of a loss in the event of default. Additionally, higher gasoline prices, unstable real estate values, reset of adjustable rate mortgages to higher interest rates, general availability of consumer credit, or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles and other consumer products as well as weaken collateral values on certain types of automobiles and other consumer products. Because our historical focus has been predominantly on nonprime consumers, the actual rates of delinquencies, defaults, repossessions, and losses on these loans could be more dramatically affected by a general economic downturn. In addition, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in our finance charge income. Furthermore, our business is significantly affected by monetary and regulatory policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and could have a material adverse effect on us through interest rate changes, costs of compliance with increased regulation, and other factors.

Although market conditions have improved, unemployment in the United States continues to remain at elevated levels, and conditions remain challenging for financial institutions. Furthermore, certain Eurozone member countries have fiscal outlays that exceed their fiscal revenue, which has raised concerns about such countries' abilities to continue to service their debt and foster economic growth. A weakened European economy could undermine investor confidence in European financial institutions and the stability of European member economies. Notwithstanding its geographic diversification, this could adversely impact Santander, with whom we have a significant relationship. Such events could also negatively affect U.S.-based financial institutions, counterparties with which we do business, and the stability of the global financial markets. Disruptions in the global financial markets have also adversely affected the corporate bond markets, debt and equity underwriting, and other elements of the financial markets. In recent years, downgrades of the sovereign debt of some European countries have resulted in increased volatility in capital markets and have caused some lenders and institutional investors to reduce and, in some cases, cease to provide funding to certain borrowers, including other financial institutions. The impact on available credit, increased volatility in the financial markets, and reduced business activity has adversely affected, and may continue to adversely affect, our businesses, capital, liquidity, or other financial conditions and results of operations, and access to credit.

The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how those economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the quality of our assets.

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Our business could be negatively impacted if our access to funding is reduced.

We rely upon our ability to sell securities in the ABS market and upon our ability to access various credit facilities to fund our operations. The ABS market, along with credit markets in general, experienced unprecedented disruptions during the recent economic downturn. Although market conditions have improved since 2009, for a number of years following the economic downturn, certain issuers experienced increased risk premiums while there was a relatively lower level of investor demand for certain ABS (particularly those securities backed by nonprime collateral). In addition, the risk of volatility surrounding the global economic system and uncertainty surrounding regulatory reforms such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) continue to create uncertainty around access to the capital markets. As a result, there can be no assurance that we will continue to be successful in selling securities in the ABS market. Adverse changes in our ABS program or in the ABS market generally could materially adversely affect our ability to securitize loans on a timely basis or upon terms acceptable to us. This could increase our cost of funding, reduce our margins or cause us to hold assets until investor demand improves.

We also depend on various credit facilities and flow agreements to fund our future liquidity needs. We cannot guarantee that these financing sources will continue to be available beyond the current maturity dates, on reasonable terms, or at all. As our volume of loan acquisitions and originations increases, especially due to our recent relationship with Chrysler, we will require the expansion of our borrowing capacity on our existing credit facilities and flow agreements or the addition of new credit facilities and flow agreements. The availability of these financing sources depends, in part, on factors outside of our control, including regulatory capital treatment for unfunded bank lines of credit, the financial strength and strategic objectives of Santander and the other banks that participate in our credit facilities and flow agreements, and the availability of bank liquidity in general. We may also experience the occurrence of events of default or breach of financial covenants, which could reduce our access to bank funding. In the event of a sudden or unexpected shortage of funds in the banking system, we cannot be sure that we will be able to maintain necessary levels of funding without incurring high funding costs, a reduction in the term of funding instruments, or the liquidation of certain assets.

We have not experienced a significant increase in risk premiums or cost of funding to date, but we are not isolated from general market conditions that may affect issuers of ABS and other borrowers and we could experience increased risk premiums or funding costs in the future. In addition, if the sources of funding described above are not available to us on a regular basis for any reason, we may have to curtail or suspend our loan acquisition and origination activities. Downsizing the scale of our business would have a material adverse effect on our financial position, liquidity, and results of operations.

We face significant risks in implementing our growth strategy, some of which are outside our control.

We intend to continue our growth strategy to (i) expand our vehicle finance franchise by increasing market penetration via the number and depth of our relationships in the vehicle finance market, pursuing additional relationships with OEMs, and expanding our direct-to-consumer footprint and (ii) grow our unsecured consumer lending platform. Our ability to execute this growth strategy is subject to significant risks, some of which are beyond our control, including:

the inherent uncertainty regarding general economic conditions;

our ability to obtain adequate financing for our expansion plans;

the prevailing laws and regulatory environment of each state in which we operate or seek to operate, and, to the extent applicable, federal laws and regulations, which are subject to change at any time;

the degree of competition in new markets and its effect on our ability to attract new customers;

our ability to recruit qualified personnel, in particular in areas where we face a great deal of competition; and

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our ability to obtain and maintain any regulatory approvals, government permits, or licenses that may be required on a timely basis.

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Our recent agreement with Chrysler may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement.

In February 2013, we entered into a ten-year Master Private Label Financing Agreement (the "Chrysler Agreement") with Chrysler whereby we launched the Chrysler Capital brand, which originates private-label loans and leases to facilitate the purchase of Chrysler vehicles by consumers and Chrysler-franchised automotive dealers. The financing services that we provide under the Chrysler Agreement, which launched May 1, 2013, include credit lines to finance Chrysler-franchised dealers' acquisitions of vehicles and other products that Chrysler sells or distributes, automotive loans and leases to finance consumer acquisitions of new and used vehicles at Chrysler-franchised dealerships, financing for commercial and fleet customers, and ancillary services. In addition, we will offer dealers dealer loan financing, construction loans, real estate loans, working capital loans, and revolving lines of credit. In accordance with the terms of the Chrysler Agreement, in May 2013 we paid Chrysler a \$150 million upfront, nonrefundable payment, which will be amortized over ten years but would be recognized as expense immediately if the Chrysler Agreement is terminated in accordance with its terms.

As part of the Chrysler Agreement, we received limited exclusivity rights to participate in specified minimum percentages of certain of Chrysler's financing incentive programs, which include loan rate subvention and automotive lease residual support subvention. We have committed to certain revenue sharing arrangements, as well as to considering future revenue sharing opportunities. We will bear the risk of loss on loans originated pursuant to the Chrysler Agreement, but Chrysler will share in any residual gains and losses in respect of automotive leases, subject to specific provisions in the Chrysler Agreement, including limitations on our participation in gains and losses. In addition, under the Chrysler Agreement, Chrysler has the option to acquire, for fair market value, an equity participation in an operating entity through which the financial services contemplated by the Chrysler Agreement are offered and provided, through either an equity interest in the new entity or participation in a joint venture or other similar business relationship or structure. There is no maximum limit on the size of Chrysler's potential equity participation. Although the Chrysler Agreement contains provisions that are designed to address a situation in which the parties disagree on the fair market value of the equity participation interest, there is a risk that we ultimately receive less than what we believe to be the fair market value for such interest.

Under the Chrysler Agreement, we have agreed to specific transition milestones, including market penetration rates, approval rates, and staffing and service milestones for the initial year following launch. If the transition milestones are not met in the first year, the agreement will terminate and we will lose the ability to operate as Chrysler Capital. If the transition milestones are met, the Chrysler Agreement will have a ten-year term, subject to early termination in certain circumstances, including the failure by either party to comply with certain of their ongoing obligations under the Chrysler Agreement. In addition, Chrysler may also terminate the agreement, among other circumstances, if (i) we fail to meet certain performance metrics, including certain penetration and approval rate targets, during the term of the agreement, (ii) a person other than Santander and its affiliates or our other stockholders owns 20% or more of our common stock and Santander and its affiliates own fewer shares of common stock than such person, (iii) we become, control, or become controlled by, an OEM that competes with Chrysler or (iv) if certain of our credit facilities become impaired.

The loans and leases originated through Chrysler Capital are expected to provide us with the majority of our projected growth over the next several years. Our ability to realize the full strategic and financial benefits of our relationship with Chrysler depends in part on the successful development of our Chrysler Capital business, which will require a significant amount of management's time and effort. If we are unable to realize the expected benefits of our relationship with Chrysler, or if the Chrysler Agreement were to terminate, our ability to generate or grow revenues could be reduced, and we may not be able to implement our business strategy, which would negatively impact our future growth.

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Our business could be negatively impacted if we are unsuccessful in developing and maintaining relationships with automobile dealerships.

Our ability to acquire loans and automotive leases is reliant on our relationships with automotive dealers. In particular, our automotive finance operations depend in large part upon our ability to establish and maintain relationships with reputable automotive dealers that direct customers to our offices or originate loans at the point-of-sale, which we subsequently purchase. Although we have relationships with certain automotive dealers, none of our relationships are exclusive and some of them are newly established and they may be terminated at any time. As a result of the recent economic downturn and contraction of credit to both dealers and their customers, there was an increase in dealership closures and our existing dealer base experienced decreased sales and loan volume in the past and may experience decreased sales and loan volume in the future, which may have an adverse effect on our business, results of operations, and financial condition.

A reduction in demand for our products and failure by us to adapt to such reduction could adversely affect our business, results of operations, and financial condition.

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that decrease customer access to particular products, or the availability of competing products. Should we fail to adapt to significant changes in our customers' demand for, or access to, our products, our revenues could decrease significantly and our operations could be harmed. Even if we do make changes to existing products or introduce new products to fulfill customer demand, customers may resist such changes or may reject such products. Moreover, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time, and, by that time, it may be too late to make further modifications to such product without causing further harm to our business, results of operations, and financial condition.

Our financial condition, liquidity, and results of operations depend on the credit performance of our loans.

As of September 30, 2013, over 80% of our consumer loans are nonprime receivables with obligors who do not qualify for conventional automotive finance products as a result of, among other things, a lack of or adverse credit history, low income levels, and/or the inability to provide adequate down payments. While underwriting guidelines were designed to establish that, notwithstanding such factors, the obligor would be a reasonable credit risk, the receivables nonetheless will experience higher default rates than a portfolio of obligations of prime obligors. In the event of such a default on an auto loan, generally the most practical alternative is repossession of the financed vehicle, although the collateral value of the vehicle usually does not cover the outstanding account balance and costs of recovery. Repossessions and foreclosure sales that do not yield sufficient proceeds to repay the receivables in full could result in losses on those receivables. We repossessed 175,665 vehicles, incurring \$1.0 billion in net losses, during the year ended December 31, 2012, of which 164,625 repossessions and \$946 million of net losses were on nonprime receivables. We experienced a default rate of 5.62% for nonprime receivables and 2.68% for prime receivables during the year ended December 31, 2012.

From time to time we are the subject of unfavorable news or editorial coverage and we, like many peer companies, are the subject of various complaint websites in connection with our repossession and collection activities. Regardless of merit, this type of negative publicity could damage our reputation and lead consumers to choose other consumer finance companies. This could, in turn, lead to decreased business which could have a material adverse impact on our financial position. We do not believe we have experienced any such impact as our lending is primarily indirect, with the end consumer interacting directly with a dealer rather than the finance company.

In addition, our prime portfolio is rapidly growing. While prime portfolios typically have lower default rates than nonprime portfolios, we have less ability to make risk adjustments to the pricing of prime loans compared to nonprime loans. As a result, a larger proportion of our business will consist of loans with respect to which we have less flexibility to adjust pricing to absorb losses. As a result of these factors, we may sustain higher losses than anticipated in our prime portfolio.

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We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, results of operations, and financial condition.

In deciding whether to approve loans or to enter into other transactions with borrowers and counterparties in our retail lending and commercial lending businesses, we may rely on information furnished to us by or on behalf of borrowers and counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, another third party, or one of our employees, we generally bear the risk of loss associated with the misrepresentation. Our controls and processes may not have detected or may not detect all misrepresented information in our loan originations or from our business clients. Any such misrepresented information could adversely affect our business, financial condition, and results of operations.

Loss of our key management or other personnel, or an inability to attract such management and other personnel, could negatively impact our business.

The successful implementation of our growth strategy depends in part on our ability to retain our experienced management team and key employees and on our ability to attract appropriately qualified new personnel as well as have an effective succession planning framework in place. For instance, our Chief Executive Officer is one of the founders of SCUSA and has extensive experience in the vehicle finance industry. He has a proven track record of successfully operating our business, including by leading us through the recent economic downturn. The loss of any key member of our management team or other key employees could hinder or delay our ability to implement our growth strategy effectively. Further, if we are unable to attract appropriately qualified new personnel as we expand, we may not be successful in implementing our growth strategy. In either instance, our profitability and financial performance could be adversely affected. See [Management](#) for more detail on our executive officers.

Future changes in our relationship with Santander may adversely affect our operations.

Santander, through SHUSA, owns 84,339,130.70 shares (approximately 65%) of our common stock. We rely on our relationship with Santander, through SHUSA, for several competitive advantages including relationships with OEMs and regulatory best practices. Santander also provides us with significant funding support, through both committed liquidity and opportunistic extensions of credit. During the recent financial downturn, Santander and its affiliates provided us with over \$6 billion in financing that enabled us to pursue several acquisitions and/or conversions of vehicle loan portfolios at a time when most major banks were curtailing or eliminating their commercial lending activities. If, after this offering, Santander or SHUSA elects not to provide such support or provide it to the same degree, we may not be able to replace such support ourselves or to obtain substitute arrangements with third parties. We may be unable to obtain such support because of financial or other constraints or be unable to implement substitute arrangements on a timely basis on terms that are comparable, or at all, which could adversely affect our operations.

Furthermore, subject to certain limitations in a shareholders agreement to be entered into among SCUSA, the Principal Stockholders, and Mr. Dundon in connection with consummation of this offering (the [Shareholders Agreement](#)), which will replace the existing shareholders agreement among these parties, Santander is permitted to sell its interest in us. If Santander reduces its equity interest in us, it may be less willing to provide us with the support it has provided in the past. In addition, our right to use the Santander name is on the basis of a non-exclusive, royalty-free, and non-transferable license from Santander, and further only extends to uses in connection with our current and future operations within the United States. Santander may terminate such license at any time Santander ceases to own, directly or indirectly, 50% or more of our common stock. If we were required to change our name, we would incur the administrative costs and time associated with revising legal

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documents and marketing materials, and also may experience loss of brand and loss of business or loss of funding due to consumers' and banks' relative lack of familiarity with our new name. Additionally, Chrysler may terminate the Chrysler Agreement if a person other than Santander and its affiliates or our other stockholders owns 20% or more of our common stock and Santander and its affiliates own fewer shares of common stock than such person.

Santander has provided guarantees on the covenants, agreements, and our obligations under the governing documents of our warehouse facilities and privately issued amortizing notes. These guarantees are limited to our obligations as servicer.

Some terms of our credit agreements are influenced by, among other things, the credit ratings of Santander. If Santander were to suffer credit ratings downgrades or other adverse financial developments, we could be negatively impacted, either directly or indirectly. Santander's short-term credit ratings downgrades in 2012, from A-1 to A-2 (Standard & Poor's) and from P-1 to P-2 (Moody's), did not directly impact our cost of funds. However, due to the contractual terms of certain of our debt agreements, these downgrades resulted in the loss of our ability to commingle funds. The loss of commingling increased the amount of funds we were required to borrow, thereby indirectly raising our cost of funds by approximately \$1 million per month. In addition, because of the methodologies applied by credit ratings agencies, our securitization ratings in our ABS offerings are indirectly tied to Santander's credit ratings.

Santander applies certain standardized banking policies, procedures and standards across its affiliated entities, including with respect to internal audit credit approval, governance risk management, and compensation practices. We currently follow certain of these Santander policies and may in the future become subject to additional Santander policies, procedures and standards, which could result in changes to our practices.

It is also possible that our continuing relationship with Santander or SHUSA after the consummation of this offering could reduce the willingness of other banks to develop relationships with us due to general competitive dynamics among such banks.

Negative changes in the business of the OEMs with which we have strategic relationships, including Chrysler, could adversely affect our business.

A significant adverse change in Chrysler's or other automotive manufacturers' business, including (i) significant adverse changes in their respective liquidity position and access to the capital markets, (ii) the production or sale of Chrysler or other automotive manufacturers' vehicles (including the effects of any product recalls), (iii) the quality or resale value of Chrysler or other vehicles, (iv) the use of marketing incentives, (v) Chrysler's or other automotive manufacturers' relationships with their key suppliers, or (vi) Chrysler's or other automotive manufacturers' respective relationships with the United Auto Workers and other labor unions and other factors impacting automotive manufacturers or their employees could have a material adverse effect on our profitability and financial condition.

Under the Chrysler Agreement, we originate private-label loans and leases to facilitate the purchase of Chrysler vehicles by consumers and Chrysler-franchised automotive dealers. In the future, it is possible that Chrysler or other automotive manufacturers with whom we have relationships could utilize other companies to support their financing needs, including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, Chrysler or other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

There is no assurance that the global automotive market, or Chrysler's or our other OEM partners' share of that market, will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position.

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Our information technology may not support our future volumes and business strategies.

We rely on our proprietary origination and servicing platforms that utilize database-driven software applications, including nearly 20 years of internal historical credit data and extensive third-party data, to continuously adapt our origination and servicing operations to evolving consumer behavior and to new vehicle finance and consumer loan products. We employ an extensive team of engineers, information technology analysts, and website designers to ensure that our information technology systems remain on the cutting edge. However, due to the continued rapid changes in technology, there can be no assurance that our information technology solutions will continue to be adequate for the business or to provide a competitive advantage.

Our network and information systems are important to our operating activities and any network and information system shutdowns could disrupt our ability to process loan applications, originate loans, or service our existing loan portfolios, which could have a material adverse impact on our operating activities. Shutdowns may be caused by unforeseen catastrophic events, including natural disasters, terrorist attacks, large-scale power outages, software or hardware defects, computer viruses, cyber attacks, external or internal security breaches, acts of vandalism, misplaced or lost data, programming or human errors, difficulties in migrating technology facilities from one location to another, or other similar events. Although we maintain, and regularly assess the adequacy of, a disaster recovery plan designed to effectively manage the effects of such unforeseen events, we cannot be certain that such plan will function as intended, or otherwise resolve or compensate for such effects. Such a failure of our disaster recovery plan, if and when experienced, may have a material adverse effect on our revenue and ability to support and service our customer base.

We are required to make significant estimates and assumptions in the preparation of our financial statements and our estimates and assumptions may not be accurate.

The preparation of our consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires our management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expense during the reporting periods. We also use estimates and assumptions in determining the residual values of leased vehicles. Critical estimates are made by management in determining, among other things, the allowance for loan losses, amounts of impairment, and valuation of income taxes. If our underlying estimates and assumptions prove to be incorrect, our financial condition and results of operations may be materially adversely affected.

Our allowance for loan losses and impairments may prove to be insufficient to absorb probable losses inherent in our loan portfolio.

We maintain an allowance for loan losses, a reserve established through a provision for loan losses charged to expense, that we believe is appropriate to provide for probable losses inherent in our originated loan portfolio. For receivables portfolios purchased from other lenders at a discount to the aggregate principal balance of the receivables, the portion of the discount that was attributable to credit deterioration since origination of the loans is recorded as a nonaccretable difference. Any deterioration in the performance of the purchased portfolios after acquisition results in incremental impairment reserves. Our allowance for loan losses has increased from \$347 million, or 5.5% of outstanding principal balance, at December 31, 2008, to \$2.4 billion, or 9.7% of outstanding principal balance, at September 30, 2013. The determination of the appropriate level of the allowance for loan losses, impairment reserves, and nonaccretable difference inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which are subject to change. Changes in economic conditions affecting borrowers, new information regarding our loans, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. Furthermore, growth in our loan portfolio generally would lead to an increase in the provision for loan losses. Some of our planned growth is in lending areas other than vehicle loans, and we are not experienced in estimating loan and credit losses in those other areas. In addition, if net charge-offs in future periods exceed the

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allowance for loan losses, we will need to make additional provisions to increase the allowance for loan losses. There is no accurate method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves will be sufficient to cover actual losses. Any increases in the allowance for loan losses will result in a decrease in net income and capital and may have a material adverse effect on us.

Our profitability and financial condition could be materially adversely affected if the value of used cars declines, resulting in lower residual values of our vehicle leases and lower recoveries in sales of repossessed vehicles.

General economic conditions, the supply of off-lease and other used vehicles to be sold, new vehicle market prices and marketing programs, vehicle brand image and strength, perceived vehicle quality, general consumer preference and confidence levels, overall price, and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices and thus the residual value of our leased vehicles and the amount we recover in remarketing repossessed vehicles. We expect our financial results to be more sensitive to used auto prices as leases become a larger part of our business.

Our expectation of the residual value of a leased vehicle is a critical input in determining the amount of the lease payments at the inception of a lease contract. Our lease customers are responsible only for any deviation from expected residual value that is caused by excess mileage or excess wear and tear, while we retain the obligation to absorb any general market changes in the value of the vehicle. Therefore, our operating lease expense is increased when we have to take an impairment on our residual values or when the realized residual value of a vehicle at lease termination is less than the expected residual value for the vehicle at lease inception. In addition, the timeliness, effectiveness, and quality of our remarketing of off-lease vehicles affects the net proceeds realized from the vehicle sales. While we have elected not to purchase residual value insurance, our exposure is somewhat lessened by Chrysler's residual subvention programs and the sharing of losses over a specified threshold. However, we take the first portion of loss on any vehicle, and such losses could have a negative impact on our profitability and financial condition.

Lower used vehicle prices also reduce the amount we can recover when remarketing repossessed vehicles that serve as collateral underlying loans. As a result, declines in used vehicle prices could have a negative impact on our profitability and financial condition.

Poor portfolio performance may trigger credit enhancement provisions in our revolving credit facilities or secured structured financings.

Our revolving credit facilities generally have net spread, delinquency, and net loss ratio limits on the receivables pledged to each facility that, if exceeded, would increase the level of credit enhancement requirements for that facility and redirect all excess cash to the credit providers. Generally, these limits are calculated based on the portfolio collateralizing the respective credit line; however, for two of our warehouse lines, delinquency and net loss ratios are calculated with respect to our serviced portfolio as a whole. Our facility used to finance vehicle lease originations also has a residual loss ratio limit calculated with respect to our serviced lease portfolio as a whole.

The documents that govern our secured structured financings also contain cumulative net loss ratio limits on the receivables included in each securitization trust. If, at any measurement date, a cumulative net loss trigger with respect to any financing were to exceed the specified limits, provisions of the financing agreements would increase the level of credit enhancement requirements for that financing and redirect all excess cash to the holders of the ABS. During this period, excess cash flow, if any, from the facility would be used to fund the increased credit enhancement levels rather than being distributed to us. Once an impacted trust reaches the new requirement, we would return to receiving a residual distribution from the trust.

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Future significant loan, lease, or unsecured consumer loan repurchase requirements could harm our profitability and financial condition.

We have repurchase obligations in our capacity as servicer in securitizations and whole-loan sales. If a servicer breaches a representation, warranty, or servicing covenant with respect to the loans sold, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If significant repurchases of assets or other payments are required under our responsibility as servicer, it could have a material adverse effect on our financial condition, liquidity, and results of operations.

We apply financial leverage to our operations, which may materially adversely affect our business, results of operations, and financial condition.

We currently apply financial leverage, pledging most of our assets to credit facilities and securitization trusts, and we intend to continue to apply financial leverage in our retail lending operations. Our debt-to-assets ratio is 89% as of September 30, 2013. Unlike banks, we are not subject to regulatory restrictions on the amount of our leverage. Our total borrowings are only restricted by covenants in our credit facilities and market conditions, and our board of directors may change our target borrowing levels at any time without the approval of our stockholders. Incurring substantial debt subjects us to the risk that our cash flow from operations may be insufficient to service our outstanding debt.

Our indebtedness and other obligations are significant and impose restrictions on our business.

We have a significant amount of indebtedness. At September 30, 2013 and December 31, 2012, we had approximately \$22.7 billion and \$16.2 billion, respectively, in principal amount of indebtedness outstanding (including approximately \$22.0 billion and \$15.9 billion, respectively, in secured indebtedness). Interest expense on our indebtedness constituted approximately 12% and 11%, respectively, of our total financing revenue and other interest income for the three and nine months ended September 30, 2013.

Our debt reduces operational flexibility and creates default risks. Our revolving credit facilities contain a borrowing base or advance rate formula which requires us to pledge finance contracts in excess of the amounts which we can borrow under the facilities. We are also required to hold certain funds in restricted cash accounts to provide additional collateral for borrowings under the credit facilities. In addition, certain facilities require the replacement of delinquent or defaulted collateral, and the finance contracts pledged as collateral in securitizations must be less than 31 days delinquent at the time the securitization is issued. Accordingly, increases in delinquencies or defaults resulting from weakened economic conditions would require us to pledge additional finance contracts to support the same borrowing levels and may cause us to be unable to securitize loans to the extent we desire. These outcomes would adversely impact our financial position, liquidity, and results of operations.

Additionally, the credit facilities generally contain various covenants requiring in certain cases minimum financial ratios, asset quality, and portfolio performance ratios (portfolio net loss and delinquency ratios, and pool level cumulative net loss ratios) as well as limits on deferral levels. Generally, these limits are calculated based on the portfolio collateralizing the respective line; however, for certain of our third-party credit facilities, delinquency and net loss ratios are calculated with respect to our serviced portfolio as a whole. Covenants on our debts also limit our ability to:

incur or guarantee additional indebtedness;

purchase large loan portfolios in bulk;

pay dividends or make distributions on our capital stock or make certain other restricted payments;

sell assets, including our loan portfolio or the capital stock of our subsidiaries;

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enter into transactions without affiliates;

create or incur liens; and

consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets.

Additionally, one of our private ABS facilities contains a minimum tangible net worth requirement, and two of our revolving credit facilities contain key man provisions.

Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interests against collateral pledged under these agreements, restrict our ability to obtain additional borrowings under these agreements and/or remove us as servicer.

We currently have the ability to pledge retained residuals and create additional unsecured indebtedness on our credit facilities provided by Santander. After this offering, Santander may elect not to renew these facilities, causing us to have to find other funding sources prior to the maturity of the Santander Credit Facilities.

If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

In addition, certain of our funding arrangements may require us to make payments to third parties if losses exceed certain thresholds, including, for example, our flow agreements with Bank of America and SBNA and arrangements with certain third-party loan originators of loans that we purchase on a periodic basis.

Competition with other lenders could adversely affect us.

The vehicle finance market is served by a variety of entities, including the captive finance affiliates of major automotive manufacturers, banks, savings and loan associations, credit unions, and independent finance companies. The market is highly fragmented, with no individual lender capturing more than 10% of the market. Our competitors often provide financing on terms more favorable to automobile purchasers or dealers than we offer. Many of these competitors also have long-standing relationships with automobile dealerships and may offer dealerships or their customers other forms of financing that we do not offer.

We anticipate that we will encounter greater competition as we expand our operations and as the economy continues to emerge from recession. In addition, certain of our competitors are not subject to the same regulatory regimes that we are. As a result, these competitors may have advantages in conducting certain businesses and providing certain services, and may be more aggressive in their loan origination activities. Increasing competition could also require us to lower the rates we charge on loans in order to maintain loan origination volume, which could also have a material adverse effect on our business, including our profitability.

Changes in interest rates may adversely impact our profitability and risk profile.

Our profitability may be directly affected by interest rate levels and fluctuations in interest rates. As interest rates change, our gross interest rate spread on new originations either increases or decreases because the rates charged on the contracts originated or purchased from dealers are limited by market and competitive conditions, restricting our ability to pass on increased interest costs to the consumer. Additionally, although the majority of our borrowers are nonprime and are not highly sensitive to interest rate movement, increases in interest rates may

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reduce the volume of loans we originate. While we monitor the interest rate environment and employ hedging strategies designed to mitigate the impact of increased interest rates, we cannot provide assurance that hedging strategies will fully mitigate the impact of changes in interest rates.

We are subject to market, operational, and other related risks associated with our derivative transactions that could have a material adverse effect on us.

We enter into derivative transactions for economic hedging purposes. We are subject to market and operational risks associated with these transactions, including basis risk, the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost, credit or default risk, the risk of insolvency, or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral. Additionally, certain of our derivative agreements require us to post collateral when the fair value of the derivative is negative. Our ability to adequately monitor, analyze, and report derivative transactions continues to depend, to a great extent, on our information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on us.

Adverse outcomes to current and future litigation against us may negatively impact our financial position, liquidity, and results of operations.

As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties. Some litigation against us could take the form of class action complaints by consumers. As the assignee of loans originated by automotive dealers, we also may be named as a co-defendant in lawsuits filed by consumers principally against automotive dealers.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our current assessments and estimates and any adverse resolution of litigation pending or threatened against us could negatively impact our financial position, liquidity, and results of operations.

A security breach or a cyber attack could adversely affect our business.

In the normal course of business, we collect, process and retain sensitive and confidential consumer information and may, subject to applicable law, share that information with our third-party service providers. Despite the security measures we have in place, our facilities and systems, and those of third-party service providers, could be vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. A security breach or cyber attack of our computer systems could interrupt or damage our operations or harm our reputation. If third parties or our employees are able to penetrate our network security or otherwise misappropriate our customers' personal information or contract information, or if we give third parties or our employees improper access to consumers' personal information or contract information, we could be subject to liability. This liability could include investigations, fines, or penalties imposed by state or federal regulatory agencies, including the loss of necessary permits or licenses. This liability could also include identity theft or other similar fraud-related claims, claims for other misuses, or losses of personal information, including for unauthorized marketing purposes or claims alleging misrepresentation of our privacy and data security practices.

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure online transmission of confidential consumer information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive consumer transaction data. A party

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who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our o