Santander Consumer USA Holdings Inc.
Form 10-K
March 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2013

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 001-36270

SANTANDER CONSUMER USA HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**32-0414408**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification Number)**

8585 North Stemmons Freeway Suite 1100-N

Dallas, Texas 75247

(214) 634-1110

(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation ST (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ¨ No x

As of June 30, 2013, the last business day of the Registrant s most recently completed second fiscal quarter, there was no established public market for the Registrant s Common Stock and, therefore, the Registrant cannot calculate the aggregate market value of its Common Stock held by non-affiliates as of such date.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at February 28, 2014**
Common Stock ($0.01 par value)	348,710,767 shares

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Cautionary Note Regarding Forward-Looking Information

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, coul
may, predicts, potential, should, will, estimate, plans, projects, continuing, ongoing, expects,
words or phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements are not guarantees of future performance and involve risks and uncertainties which are subject to change based on various important factors, some of which are beyond our control. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

- adverse economic conditions in the United States and worldwide may negatively impact our results;

- our business could suffer if our access to funding is reduced;

- we face significant risks implementing our growth strategy, some of which are outside our control;

- our agreement with Chrysler Group LLC (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;

- our business could suffer if we are unsuccessful in developing and maintaining relationships with automobile dealerships;

- our financial condition, liquidity, and results of operations depend on the credit performance of our loans;

- loss of our key management or other personnel, or an inability to attract such management and personnel, could negatively impact our business;

- future changes in our relationship with Banco Santander, S.A. (Santander) could adversely affect our operations; and

- we operate in a highly regulated industry and continually changing federal, state, and local laws and regulations could materially adversely affect our business.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, its actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements. Therefore, we caution not to place undue reliance on any forward-looking information or statements. The effect of these factors is difficult to predict. Factors other than these also could adversely affect our results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. New factors emerge from time to time, and management cannot assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements only speak as of the date of this document, and we undertake no obligation to update any forward-looking information or statements, whether written or oral, to reflect any change, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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PART I

ITEM 1. BUSINESS

General

Santander Consumer USA Holdings Inc., a Delaware corporation (SCUSA Delaware or, together with its subsidiaries, SCUSA or the Company), is the holding company for Santander Consumer USA Inc., an Illinois corporation (SCUSA Illinois), and its subsidiaries, a technology-driven specialized consumer finance company focused on vehicle finance and unsecured consumer lending products. The Company s primary business is the indirect origination of retail installment contracts principally through manufacturer-franchised dealers in connection with their sale of used and new automobiles and light-duty trucks to retail consumers. In conjunction with a ten-year private label financing agreement with Chrysler Group (the Chrysler Agreement) that became effective May 1, 2013, the Company offers a full spectrum of auto financing products and services to Chrysler customers and dealers under the Chrysler Capital brand. These products and services include consumer retail installment contracts and leases, as well as dealer loans for inventory, construction, real estate, working capital and revolving lines of credit.

The Company also originates vehicle loans through a web-based direct lending program, purchases vehicle retail installment contracts from other lenders, and services automobile and recreational and marine vehicle portfolios for other lenders. Additionally, in 2013 the Company began originating and acquiring unsecured consumer loans.

The Company is currently owned approximately 60.5% by Santander Holdings USA, Inc. (SHUSA), a subsidiary of Banco Santander, S.A. (Santander), approximately 4.1% by Sponsor Auto Finance Holdings Series LP (Auto Finance Holdings), approximately 9.9% by DDFS LLC, an entity affiliated with the Company s Chief Executive Officer (CEO), approximately 25.3% by public shareholders, and approximately 0.2% by other holders, primarily members of senior management.

Reorganization

In July 2013, SCUSA Illinois formed SCUSA Delaware and SCUSA Merger Sub Inc., an Illinois corporation and a wholly owned subsidiary of SCUSA Delaware (SCUSA Merger Sub). On January 16, 2014, pursuant to an Agreement and Plan of Merger by and among SCUSA Illinois, SCUSA Delaware and SCUSA Merger Sub, SCUSA Merger Sub merged 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 were exchanged for shares of SCUSA Delaware common stock on a 2.6665 for 1.00 basis. We refer to these transactions as the Reorganization. The Reorganization has not resulted in any change of the business, management, jobs, fiscal year, assets, liabilities, or location of the principal facilities of SCUSA Illinois.

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Our Markets

The consumer finance industry in the United States has approximately $2.6 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 have recovered from the 2008 and 2009 downturn, there has been a significant demand for consumer financing, particularly finance vehicle sales.

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, as well as motorcycles, RVs, and watercraft. Within the vehicle finance segment, we maintain a strong presence in the auto finance market. The auto finance market features a fungible product resulting in an efficient pricing market, but it is highly fragmented, with no individual lender accounting for more than 10% of market share. As of December 31, 2013, there were approximately $863 billion of auto loans outstanding.

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Through the recent economic downturn, auto loans generally were not as adversely impacted as most other consumer lending products. This performance was largely attributable to several factors, including: (i) the importance that automobiles serve in consumers everyday lives; (ii) the ability to locate, repossess and sell a vehicle to mitigate losses on defaulted loans; and (iii) the robustness of the used car market and residual values. This latter factor is subject to fluctuations in the supply and demand of automobiles. The primary metric used by the market to monitor the strength of the used car market is the Manheim Used Vehicle Index, a measure of wholesale used car prices adjusted by their mileage or vintage. As of December 31, 2013, used car financing represented 72% of our outstanding retail installment contracts of which 88% consisted of nonprime auto loans. The Manheim Used Vehicle Index has recently been well above historical norms and during the recent economic downturn rebounded in nine months while the broader economy took several years to rebound. This strength in the used car market reflects the importance of cars to U.S. consumers.

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Historically, used car financing has made up a majority of our business. Used automobiles accounted for 74% of total automobiles sold in the United States in 2012. In 2013, through the third quarter, approximately 53% of used car purchases were financed. Most loans in the used auto finance space are extended to nonprime consumers, who comprise a significant portion of the U.S. population. Of the approximately 200 million Americans with a credit history, 34% have FICO® scores below 650. Although nonprime auto loans typically produce higher losses than prime loans, our data-driven approach, extensive experience, and adaptive platform have enabled us to accurately project cash flows and effectively price loans for their inherent risk.

Through our Chrysler Capital brand, we are increasing our focus on the new auto finance space by providing financing for the acquisition of new Chrysler cars. The new auto market continues to recover from the recent economic downturn. There were 15.5 million new cars sold in 2013, which was an increase of 49% over the number of new cars sold in 2009. In 2013, through the third quarter, approximately 84% of total new auto sales were financed. Future growth of new auto sales in the United States, and the parallel growth of consumer loans and leases to finance those sales, are driven by improving economic conditions, new automobile product offerings, and the need to replace aging automobiles. During 2013, the average age of U.S. autos reached an all-time high of 11.4 years. Chrysler Capital loan and lease growth will be driven by the volume of new Chrysler cars sold in the United States.

We are a leading originator of nonprime auto loans. National and regional banks have historically been the largest originators of used and nonprime vehicle loans and leases due to their broad geographic footprint and wide array of vehicle finance products. We primarily compete against national and regional banks, as well as automobile manufacturers captive finance businesses, to originate loans and leases to finance consumers purchases of new and used cars.

The unsecured consumer lending market, including credit cards, private student loans, point-of-sale financing, and personal loans, represents a significant expansion opportunity for us within the U.S. consumer finance industry. From a recent high in 2008, the U.S. consumer has steadily faced declining access to traditional sources of consumer credit. This decline is evidenced by the reduction of outstanding consumer credit card limits by approximately $795 billion and of home equity lines of credit by approximately $379 billion since 2008. During the recent economic downturn, traditional lenders were forced to tighten credit and, in some cases, exit the market altogether, leaving a large market opportunity with significant growth potential. Additionally, consumer loan demand is recovering and, on average, most domestic bank lenders have reported stronger demand for consumer loans since April 2011. Imbalances in supply and demand have created a significant opportunity for companies like us who have national scale, financial strength, stability of management, strong credit and underwriting processes, and an appetite for identifying incremental lending opportunities.

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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 growing our direct presence in the vehicle finance market through our RoadLoans.com platform and we are currently building out our unsecured consumer lending platform. Additionally, we continue to develop new relationships with third parties to further broaden our origination channels within these markets.

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 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. Additionally, we are evaluating new indirect auto finance opportunities across both North and South America.

Strategic Alliances with original equipment manufacturers(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. In addition to the Chrysler Agreement, we have a pilot program with another OEM, pursuant to which we serve as a preferred finance provider for dealers in certain geographic markets, and have executed a letter of intent to serve as preferred finance provider for a third OEM.

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. We are seeking to engage the consumer at the early stages of the car buying experience. 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, each of which have links on their websites promoting our RoadLoans.com website for financing. We will continue to focus on securing relationships with additional vehicle-related websites. We anticipate that the next generation of our web-based direct-to-consumer offerings will include additional strategic relationships, an enhanced online experience, and additional products and services to assist with all stages of the vehicle ownership life cycle, including research, financing, buying, servicing, selling, and refinancing.

Expansion of Fee-Based Income Opportunities. We seek out opportunities to leverage our technologically sophisticated and highly adaptable servicing platform for both prime and nonprime loans, as well as other vehicle finance (including RV and marine) and unsecured consumer lending products. We collect fees to service loan portfolios for third parties, and we handle both secured and unsecured loan products across the full credit spectrum. Loans and leases sold to or sourced to banks through flow agreements (including our flow agreements with Bank of America and Santander Bank N.A. (SBNA, formerly Sovereign Bank)) and off-balance sheet securitizations also provide additional opportunities to service large vehicle loan and lease pools. Additionally, we are exploring the possibility of expanding our loan servicing activities in North and South America by leveraging our existing relationships with Chrysler, as well as Santander and other banks in these regions. 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, we added over $3.0 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 includes point-of-sale financing, personal loans, and private label credit cards. Unsecured consumer lending is a rapidly growing segment of the consumer finance market in the United States, and we expect that financing in the unsecured consumer loan space will significantly contribute to our growth. We originated our first unsecured consumer loans in March 2013 and by December 31, 2013 had originated over $1.1 billion in these loans. Our ability to offer these products is derived from our deep knowledge of consumer behavior across the full credit spectrum, our scalable technology platform and Santander s expertise in the unsecured consumer lending industry. One of our principal strategic consumer finance relationships is with Bluestem, which owns the Fingerhut®, Gettington.com and PayCheck Direct® brands. Bluestem s customers rely on Bluestem proprietary credit products at the point of sale to make purchases. Through our agreement with Bluestem, we have the option to purchase certain loans through April 2020. Additionally, we have a strategic relationship with LendingClub, pursuant to which we invest in or purchase personal loans and have the right to purchase nonprime loans as well, and have recently begun originating private label revolving lines of credit through our relationship with another point-of-sale lending technology company. We also have a pipeline of private label credit card initiatives we expect to pursue. We believe these relationships and initiatives provide us with a strong entry point into the unsecured consumer lending space.

Our Products and Services

We offer vehicle-related financing products and services and, beginning in the first quarter of 2013, unsecured consumer financing.

Vehicle Finance

Our vehicle finance products and services include loans and leases to consumers and dealer loans.

Consumer Vehicle Loans

Our primary business is to indirectly originate vehicle loans through automotive dealerships throughout the United States. We currently do business with over 14,000 dealers, over 95% of whom are manufacturer-affiliated and the remainder of whom are selected large and reputable independent dealers. We use our risk-adjusted methodology to determine the price we pay the automotive dealer for the loan, which may be above or below the principal amount of the loan depending on characteristics such as the contractual APR, the borrower s credit profile and the tenor of the loan. The consumer is obligated to make payments in an amount equal to the principal amount of the loan plus interest at the APR negotiated with the dealer. In addition, the consumer is also responsible for charges related to past-due payments. Dealers typically retain some portion of the finance charge as income. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through loans, we hold a perfected security interest in those vehicles. Loans with below-market APRs are frequently offered through manufacturer incentive programs. The manufacturer will compensate the originator of these loans for the amount of the financing rate that is below market. These payments are called rate subvention. We are entitled to receive rate subvention payments as Chrysler s preferred provider through the Chrysler Agreement.

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Since 2008, we also have directly originated loans through our branded online RoadLoans.com platform, and we also periodically acquire large portfolios of loans. The loans acquired in bulk acquisitions have primarily been collateralized by automobiles. However, a small amount of such loans have been collateralized by marine and RVs. We generate revenue on these loans through finance charges.

Vehicle Leases

We acquire leases primarily from Chrysler-affiliated automotive dealers and, as a result, become the titleholder for the leased car. The acquisition cost for these leases is based on the underlying value of the vehicle, the contractual lease payments and the residual value, which is the expected value of the vehicle at the time of the lease termination. We use projected residual values that are estimated by third parties, such as ALG. The residual value we use to determine lease payments, or the contractual residual value, may be upwardly adjusted as part of marketing incentives provided by the manufacturer of the vehicle. When a contractual residual value is written up, the lease payments we offer may become more attractive to consumers. The marketing incentive payment that manufacturers pay is equal to the expected difference between the projected ALG residual value and the contractual residual value. This residual support payment is a form of subvention. We are a preferred provider of subvented leases through Chrysler Capital. The consumer, or lessee, is responsible for the contractual lease payments and any excessive mileage or wear and tear on the car that results in a lower residual value of the car at the time of the lease s termination. In addition, the consumer is also generally responsible for charges related to past due payments. Our leases are primarily closed-ended, meaning the consumer does not bear the residual risk.

We generate revenue on leases through monthly lease payments and fees, and, depending on the market value of the off-lease vehicle, we may recognize a gain or loss upon remarketing. Our agreement with Chrysler permits us to share any residual losses over a threshold, determined on an individual lease basis, with Chrysler.

Dealer Loans

We provide dealer floorplan loans to certain automotive dealers, primarily Chrysler-franchised dealerships, so that they can acquire new and used vehicles for their inventory. We provide these loans in our sole discretion and in accordance with our credit policies, generally advancing up to 100% of the vehicle s wholesale invoice price for a new vehicle, up to 100% of the price of a used vehicle purchased at an authorized auction, and up to 90% for any other used vehicle. Each dealer loan is secured by all of the dealer s existing vehicle inventory and is generally secured by dealership assets and/or personal guarantees by the dealership s owner. Repayment of the advance related to each vehicle in inventory is required within seven days of the date the vehicle is sold or leased. A full or partial repayment also may be required if the vehicle in inventory remains unsold. The interest charged on such loans is based on our internal risk rating for the dealer and is payable monthly.

In addition, we may periodically provide certain automotive dealers, primarily Chrysler-franchised dealerships, with real estate loans and working capital revolving lines of credit. Generally a dealer must have a floorplan loan with us in order to be eligible for real estate loans and working capital revolving lines of credit from us.

As of December 31, 2013, substantially all of the dealer loans originated under Chrysler Capital were held by our affiliate, SBNA, under terms of a flow agreement entered into in June 2013 or sale agreements entered into in August and November 2013.

Servicing for Others

We service a portfolio of vehicle loans originated or otherwise independently acquired by SBNA, as well as the dealer loans SBNA purchased from us and originated under a flow agreement. We also service loans sold through our flow agreement with Bank of America and through our Chrysler Capital off-balance sheet securitizations, as well as several smaller loan portfolios for various third-party institutions. Beginning in 2014, we also service vehicle leases originated by SBNA under terms of a flow agreement with us.

Unsecured Consumer Lending

In March 2013, we began indirectly originating unsecured consumer loans. Most of these loans are currently serviced by the third-party originators, who handle daily cash remittances and customer service. We are continually evaluating new unsecured consumer lending opportunities, such as credit cards, so that we may further diversify and expand our business.

Origination and Servicing

Vehicle Finance

Our origination platform delivers automated 24/7 underwriting decision-making through a proprietary credit-scoring system designed to ensure consistency and efficiency, with dealers receiving a decision in under ten seconds for 95% of all requests. Every loan application we receive is processed by our risk scoring and pricing models. Our credit scorecard development process is supported by an extensive market database that includes nearly 20 years of historical data on the loans we have acquired as well as extensive consumer finance third-party data. We continuously evaluate loan performance and consumer behavior to improve our underwriting decisions. As a result of our readily adaptable and scalable systems, we are able to quickly implement changes in pricing and scoring credit policy rules and we seek to modify our underwriting standards to match the economic environment. Our scorecard methodology supports underwriting decisions for consumers across the full credit spectrum and has been designed to allow us to maximize modeled risk-adjusted yield for a given consumer s credit profile. As a result of the Chrysler Agreement, we have adjusted underwriting standards in the prime space to compete with the major lenders in the area.

We have built our servicing approach based on years of experience as a nonprime lender. Our servicing activities consist largely of processing customer payments, responding to customer inquiries (such as requests for payoff quotes), processing customer requests for account revisions (such as payment deferrals), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, pursuing collection of delinquent accounts, and remarketing repossessed or off-lease vehicles. We have made significant technology investments in our servicing systems to ensure that our servicing activities are in compliance with federal and local consumer lending rules in all 50 states.

Through our servicing platform, we seek to maximize collections while providing the best possible customer service. Our servicing practices are closely integrated with our origination platform, resulting in an efficient exchange of customer data, market information and understanding of the latest trends in consumer behavior. Our customer account management process is model-driven and utilizes automated customer service and collection strategies, including the use of automated dialers rather than physical phones. Each of the models we use is validated by back-testing with data and can be adjusted to reflect new information that we receive throughout our entire business such as new vehicle loan and lease applications, refreshed consumer credit data, and consumer behavior that we observe through our servicing operations. Our robust processes and sophisticated technology support our servicing platform to maximize efficiency, consistent loan treatment, and cost control.

In order to provide the best possible customer service, we provide multiple convenience options to our customers and have implemented many strategies to monitor and improve the customer experience. In addition to live agent assistance, our customers are offered a wide range of self-service options via our interactive voice response system and through our customer website. Self-service options include demographic management (such as updating a customer s address, phone number, and other identifying information), payment and payoff capability, and payment history reporting, as well as online chat and communication requests. Quality assurance teams perform account reviews and are responsible for grading our phone calls to ensure adherence to our policies and procedures as well as compliance with regulatory rules. Our analytics software converts speech from every call into text so that each of our conversations with a customer can be analyzed and subsequently data-mined. This is used to identify harmful words or phrases in real-time for potential intervention from a manager, and to search for the omission of words or phrases that are required for specific conversations. A quality control team provides an independent, objective assessment of the servicing department s internal control systems and underlying business processes. This helps us identify organizational improvements while protecting our franchise reputation and brand. Lastly, complaint tracking processes ensure customer complaints are addressed appropriately and that the customers receive status updates. These systems assign the account to a specialized team (Office of the President) until the complaint is deemed to be closed. This team tracks and resolves customer complaints and is subject to a robust quality assurance program.

The servicing process is divided into stages based on delinquency status and the collectors for each stage receive specialized training. In the event that a retail installment contract becomes delinquent, we follow an established set of procedures that we believe maximize our ultimate recovery on the loan or lease. Late stage account managers employ skip tracing, utilize specialized negotiation skills, and are trained to tailor their collection attempts based on the proprietary borrower behavioral score we assign to each of our customers. Collection efforts include calling within one business day when an obligor has broken a promise to make a payment on a certain date and using alternative methods of contact such as location gathering via references, employers, landlords, credit bureaus, and cross-directories. If the borrower is qualified, the account manager may offer an extension of the maturity date, a temporary reduction in payment, or a modification permanently lowering the interest rate or principal. If attempts to work with the customer to cure the delinquency are unsuccessful, the customer is sent a right to cure letter in accordance with state laws and the loan is assigned a risk score based on our historical days-to-repossess data. This score is used to prioritize repossessions, and each repossession is systematically assigned to third-party repossession agents according to their recent performance with us. Once the vehicle has been secured, any repairs required are performed and the vehicle is remarketed as quickly as possible, typically through an auction process.

Most of our servicing processes and quality-control measures also serve a dual purpose in that they both ensure compliance with the appropriate regulatory laws and ensure that we deliver the best possible customer service. Additionally, our servicing platform and all of the features we offer to our customers are scalable and can be tailored through statistical modeling and automation.

Unsecured Consumer Lending

We offer point-of-sale financing and personal loans through our partnerships with retailers and other lenders that offer several unsecured consumer lending products. Our ability to offer these products is derived from our expertise in originating nonprime vehicle retail loans and Santander s expertise in the unsecured consumer lending industry. Our existing relationships with Bluestem, LendingClub, and others are partner-managed programs. In these arrangements, our partner decides whether to extend credit on any application using their own credit policies. If the applicant is declined, the application is sent to us to decide whether or not to extend a loan based on our own credit policy. For each unsecured consumer loan that we purchase, our partner retains the servicing rights unless the loan becomes delinquent, at which point we can elect to become the servicer. Additionally, our partners are required to share data files with us for accounting and portfolio review throughout the life of the unsecured consumer loan. We intend to leverage this data to further strengthen our origination and servicing systems with respect to unsecured consumer lending.

Our Relationship with Chrysler

On February 6, 2013, we entered into the Chrysler Agreement pursuant to which we are the preferred provider for Chrysler s consumer loans and leases and dealer loans effective May 1, 2013. Business generated under terms of the

Chrysler Agreement is branded as Chrysler Capital. During the period from the May 1, 2013 launch of the Chrysler Capital business through December 31, 2013, we acquired over $7.5 billion of Chrysler Capital retail installment contracts and over $2.4 billion of Chrysler Capital vehicle leases, and facilitated the origination of over $500 million of Chrysler Capital dealer loans. We expect these volumes to continue.

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The Chrysler Agreement requires, among other things, that we bear the risk of loss on loans originated pursuant to the agreement, but that Chrysler share in any residual gains and losses in respect of consumer leases. The agreement also requires that we maintain at least $5.0 billion in funding available for dealer inventory financing and $4.5 billion of financing dedicated to Chrysler retail financing. In turn, Chrysler must provide designated minimum threshold percentages of its subvention (Chrysler subsidized below-market loan and lease rates) business to us.

Under the Chrysler Agreement, we have agreed to specific transition milestones, including market penetration rates, approval rates, staffing, and service milestones, for the initial year following launch on May 1, 2013. If the transition milestones are not met in the first year, the agreement may terminate and we may 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. 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. Based on projections and our initial performance under the agreement, management believes that we will meet all of our performance targets.

In connection with entering into the Chrysler Agreement, we paid Chrysler a $150 million upfront, nonrefundable fee on May 1, 2013. This fee is considered payment for future profits generated from the Chrysler Agreement and, accordingly, we are amortizing it over the expected ten-year term of the agreement as a component of net finance and other interest income. We have also executed an Equity Option Agreement with Chrysler, whereby Chrysler may elect to purchase, at any time during the term of the Chrysler Agreement, at fair market value, an equity participation of any percentage in the Chrysler Capital portion of our business.

For a period of 20 business days after Chrysler s delivery to us of a notice of intent to exercise its option, we are to discuss with Chrysler in good faith the structure and valuation of the proposed equity participation. If the parties are unable to agree on a structure and Chrysler still intends to exercise its option, we will be required to create a new company into which the Chrysler Capital assets will be transferred and which will own and operate the Chrysler Capital business. If Chrysler and we cannot agree on a fair market value during the 20-day negotiation period, each party will engage an investment bank and the appointed banks will mutually appoint a third independent investment bank to determine the value, with the cost of the valuation divided evenly between Chrysler and us. Each party has the right to a one-time deferral of the independent valuation process for up to nine months. Chrysler will have a period of 90 days after a valuation has been determined, either by negotiation between the parties or by an investment bank, to deliver a binding notice of exercise. Following this notice, Chrysler s purchase is to be paid and settled within 10 business days, subject to a delay of up to 180 days if necessary to obtain any required consents from governmental authorities.

Any new company formed to effect Chrysler s exercise of its equity option will be a Delaware limited liability company unless otherwise agreed to by the parties. As long as each party owns at least 20% of the business, Chrysler and we will have equal voting and governance rights without regard to ownership percentage. If either party has an ownership interest in the business of less than 20%, the party with less than 20% ownership will have the right to designate a number of directors proportionate to its ownership and will have other customary minority voting rights.

As the equity option is exercisable at fair market value, we could recognize a gain or loss upon exercise if the fair market value is determined to be different from book value. We believe that the fair market value of our Chrysler Capital financing business currently exceeds book value and therefore have not recorded a contingent liability for potential loss upon Chrysler s exercise.

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Subsequent to the exercise of the equity option, SCUSA s rights under the Chrysler Agreement will be assigned to the jointly owned business. Exercise of the equity option would be considered a triggering event requiring re-evaluation of whether or not the remaining unamortized balance of the upfront fee we paid to Chrysler on May 1, 2013 should be impaired.

On June 13, 2013, we entered into a committed forward flow agreement that, as amended on September 26, 2013, commits us to sell up to $300 million per month of prime loans to Bank of America through May 31, 2018. For those loans, we will retain the servicing rights at contractually agreed upon rates. This servicing arrangement will provide us with an additional fee income stream. We also will receive or pay a servicer performance payment if net credit losses on the sold loans are lower or higher, respectively, than expected net credit losses at the time of sale.

On June 28, 2013, we entered into a flow agreement with SBNA whereby we provide SBNA with the first right to review and assess Chrysler dealer lending opportunities and, if SBNA elects, to provide the proposed financing. On August 16, 2013, we sold most of our existing Chrysler floorplan loans to SBNA. On November 1, 2013, we sold certain existing Chrysler non-floorplan loans to SBNA. We provide servicing on all loans sold or originated under these agreements. We also will receive or pay a servicer performance payment if yields, net of credit losses, on the loans originated under the flow agreement are higher or lower, respectively, than expected at origination.

On February 4, 2014, we entered into a flow agreement with SBNA whereby we will provide SBNA with the first right to review and approve consumer vehicle lease applications. We may review any applications declined by SBNA for our own portfolio. We will provide servicing and receive an origination fee for all leases originated under this agreement.

In addition, we may periodically provide certain automotive dealers, primarily Chrysler-franchised dealerships, with real estate loans and working capital revolving lines of credit. Generally, a dealer must have a floorplan loan with us in order to be eligible for real estate loans and working capital revolving lines of credit from us.

Segments

The Company has one reportable segment: Consumer Finance which includes our vehicle financial products and services, including retail installment contracts, vehicle leases, and dealer loans, as well as financial products and services related to motorcycles, RVs, and watercraft. It also includes our unsecured personal loan and point-of-sale financing operations.

Subsidiaries

SCUSA Delaware has one principal consolidated majority-owned subsidiary: SCUSA Illinois.

Employees

At December 31, 2013, SCUSA had approximately 4,100 employees. None of the Company s employees are represented by a collective bargaining agreement.

Seasonality

Our origination volume is generally highest in March and April each year due to consumers receiving tax refunds. Our delinquencies are generally highest in the period from November through January due to consumers holiday spending. Although we are profitable throughout the year, these trends drive a seasonal fluctuation whereby our profits generally are highest in the first quarter of each year and decline each quarter thereafter.

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Intellectual Property

Our right to use the Santander name is on the basis of a non-exclusive, royalty-free and non-transferable license from Santander, and 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.

In connection with our agreement with Chrysler, Chrysler has granted us a limited, non-exclusive, non-transferable, royalty-free license to use certain Chrysler trademarks, including the term Chrysler Capital, for as long as the Chrysler Agreement is in effect. We are required to adhere to specified guidelines, specifications, and other usage instructions related to these trademarks, as well as to obtain prior written approval of any materials, including financing documents and promotional materials, using the trademarks. This license does not grant us any ownership rights in Chrysler s trademarks.

Competition

The automotive finance industry is highly competitive. We compete on the pricing we offer on our loans and leases as well as the customer service we provide to our automotive dealer customers. Pricing for these loans and leases is very transparent. We, along with our competitors, post our pricing for loans and leases on web-based credit application aggregation platforms. When dealers submit applications for consumers acquiring vehicles, they can compare our pricing against our competitors pricing. Dealer relationships are important in the automotive finance industry. Vehicle finance providers need to tailor product offerings to meet each individual dealer s needs.

We believe that we can effectively compete because our proprietary scorecards and industry experience enable us to price risk appropriately. In addition, we benefit from Chrysler subvention programs through the Chrysler Agreement. We have developed strong dealer relationships through our nationwide sales force and long history in the automotive finance space. Further, we expect that we will be able to deepen dealer relationships through our Chrysler Capital product offerings.

Our primary competitors in the vehicle finance space are:

- national and regional banks;
- credit unions;
- independent financial institutions; and
- the affiliated finance companies of automotive manufacturers.

While the used car market is fragmented with no single lender accounting for more than 10% of the market, in both the new and used car markets there are a number of competitors that have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, lower funding costs, and are less reliant on securitizations. We believe we can compete effectively by continuing to expand and deepen our relationships with dealers. In addition, through our Chrysler Capital brand we will benefit from the manufacturer s subvention programs and Chrysler s relationship with its dealers.

Our primary competitors in the unsecured consumer lending space are banks that have traditionally offered revolving credit products such as credit cards, home equity lines of credit, and personal loans. In recent years, new, smaller competitors have emerged to fulfill consumers demand for credit products by offering point-of-sale financing and personal loans through technologically sophisticated and often web-based applications. We compete with banks by identifying borrowers with attractive credit profiles who do not rely on traditional bank-offered consumer finance products like credit cards and home equity lines of credit. We also compete with other financial institutions who seek to identify potential partners that offer point-of-sale and web-based credit applications. We believe we can compete successfully due to our ability to identify unsecured consumer loan applications with attractive risk-adjusted returns, as well as the speed at which we can adapt to our potential partners operations.

Supervision and Regulation

The U.S. lending industry is highly regulated under various U.S. Federal laws, including the Truth-in-Lending, Truth-in-Savings, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practices Service Members Civil Relief, and Unfair and Deceptive Practices Acts, as well as various state laws. We are subject to inspections, examinations, supervision, and regulation by each state in which we are licensed, the Consumer Financial Protection Bureau (CFPB), and the Federal Trade Commission. In addition, because our largest shareholder is a bank holding company, we are subject to certain bank regulations, including oversight by the Federal Reserve, the Office of the Comptroller of the Currency, and the Bank of Spain. Additional legal and regulatory matters affecting the Company s activities are further discussed in the Item 1A Risk Factors section of this annual report on Form 10-K.

Dodd-Frank Wall Street Reform and Consumer Protection Act

At the federal level, Congress enacted comprehensive financial regulatory reform legislation on July 21, 2010. A significant focus of the new law (the Dodd-Frank Act) is heightened consumer protection. The Dodd-Frank Act established a new body, the CFPB, which has regulatory, supervisory, and enforcement powers over providers of consumer financial products and services, including us, including explicit supervisory authority to examine and require registration of non-depository lenders and promulgate rules that can affect the practices and activities of lenders.

Although the Dodd-Frank Act expressly provides that the CFPB has no authority to establish usury limits, some consumer advocacy groups have suggested that various forms of alternative financial services or specific features of consumer loan products should be a regulatory priority, and it is possible that at some time in the future the CFPB could propose and adopt rules making such lending services materially less profitable or impractical, which may impact finance loans or other products that we offer.

In March 2013, the CFPB issued a bulletin recommending that indirect vehicle lenders, a class that includes us, take steps to monitor and impose controls over dealer markup policies whereby dealers charge consumers higher interest rates, with the markup shared between the dealer and the lender.

The CFPB is also conducting supervisory audits of large vehicle lenders and has indicated it intends to study and take action with respect to possible Equal Credit Opportunity Act (ECOA) disparate impact credit discrimination in indirect vehicle finance. If the CFPB enters into a consent decree with one or more lenders on disparate impact claims, it could negatively impact the business of the affected lenders, and potentially the business of dealers and other lenders in the vehicle finance market. This impact on dealers and lenders could increase our regulatory compliance requirements and associated costs.

In addition to the grant of certain regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended (the Exchange Act), an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law.

The following activities are disclosed in response to Section 13(r) with respect to affiliates of the Company through its relationship with Santander. During the period covered by this annual report:

A Santander UK plc (Santander UK) customer, being an Iranian national resident in the UK, was designated in September 2013 as acting for or on behalf of the Government of Iran. This account holder s current account and credit card with Santander UK were closed in December 2013. No revenue was generated by Santander UK on these products.

In early October 2013, Santander UK opened an account for a Tunisian national, resident in the UK, who is currently designated by the US for terrorism. After becoming aware of this customer s designation, Santander UK exited the relationship later in October 2013. No revenue was generated by Santander UK on these accounts.

Santander UK holds frozen savings and current accounts for three customers resident in the UK who are currently designated by the US for terrorism. The accounts held by each customer were blocked after the customer s designation and have remained blocked and dormant throughout 2013. No revenue was generated by Santander UK on these accounts.

A U.K. company maintained two commercial accounts at Santander UK that were used to provide payroll processing services for a UK entity that is currently designated by the US under the Iran sanctions regime. The accounts may have been used to provide payroll services to other Iranian clients. Santander UK became aware of this account activity in September 2013 and exited the relationship in January 2014. No revenue was generated by Santander UK on these accounts.

An Iranian national, resident in the UK, who is currently designated by the US and the UK under the Iran Sanctions regime held a mortgage with Santander UK that was issued prior to any such designation. No further draw-down has been made (or would be allowed) under this mortgage although we continue to receive repayment installments. In 2013, total revenue in connection with the mortgage was £10,421 while net profits were negligible relative to the overall profits of Santander UK. Santander UK does not intend to enter into any new relationships with this customer, and any disbursements will only be made in accordance with applicable sanctions. The same Iranian national also holds two investment accounts with Santander Asset Management UK Limited. The accounts remained frozen throughout 2013. The investment returns are being automatically reinvested, and no disbursements have been made to the customer. Total revenue for Santander in connection with the investment accounts was £247 while net profits in 2013 were negligible relative to the overall profits of Santander.

In addition, Santander has certain legacy export credits and performance guarantees with Bank Mellat, which are included in the U.S. Department of the Treasury s Office of Foreign Assets Control s Specially Designated Nationals and Blocked Persons List. The Bank entered into two bilateral credit facilities in February 2000 in an aggregate principal amount of 25.9 million. Both credit facilities matured in 2012. In addition, in 2005 Santander participated in a syndicated credit facility for Bank Mellat of 15.5 million, which matures on July 6, 2015. As of December 31, 2013, Santander was owed 4.3 million under this credit facility.

Bank Mellat has been in default under all of these agreements in recent years and Santander has been and expects to continue to be repaid any amounts due by official export credit agencies, which insure between 95% and 99% of the outstanding amounts under these credit facilities. No funds have been extended by Santander under these facilities since they were granted.

Santander also has certain legacy performance guarantees for the benefit of Bank Sepah and Bank Mellat (stand-by letters of credit to guarantee the obligations - either under tender documents or under contracting

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agreements - of contractors who participated in public bids in Iran) that were in place prior to April 27, 2007. However, should any of the contractors default in their obligations under the public bids, Santander would not be able to pay any amounts due to Bank Sepah or Bank Mellat because any such payments would be frozen pursuant to Council Regulation (EU) No. 961/2010.

In the aggregate, all of the transactions described above resulted in approximately 72,000 gross revenues and approximately 123,000 net loss to Santander in 2013, all of which resulted from the performance of export credit agencies rather than any Iranian entity. Santander has undertaken significant steps to withdraw from the Iranian market such as closing its representative office in Iran and ceasing all banking activities therein, including correspondent relationships, deposit taking from Iranian entities and issuing export letters of credit, except for the legacy transactions described above. Santander is not contractually permitted to cancel these arrangements without either (i) paying the guaranteed amount - which payment would be frozen as explained above (in the case of the performance guarantees), or (ii) forfeiting the outstanding amounts due to it (in the case of the export credits). As such, Santander intends to continue to provide the guarantees and hold these assets in accordance with company policy and applicable laws.

Available Information

All reports filed electronically by the Company with the SEC, including the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments to those reports, are accessible on the SEC s Web site at www.sec.gov. These forms are also accessible at no cost on the Company s website at www.santanderconsumerusa.com. The information contained on our website is not being incorporated herein.

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ITEM 1A. RISK FACTORS

The Company is subject to a number of risks potentially impacting its business, financial condition, results of operations and cash flows. The following are the most significant risk factors that affect the Company. Any one or more of these risk factors could have a material adverse impact on the business, financial condition, results of operations or cash flows, in addition to presenting other possible adverse consequences, which are described below.

Business Risks

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 remains 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 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

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.

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 December 31, 2013, over 84% of our vehicle consumer loans and over 69% of our unsecured consumer loans are nonprime receivables with obligors who do not qualify for conventional consumer 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 181,721 vehicles, incurring $1.25 billion in net losses, during the year ended December 31, 2013, of which 171,924 repossessions and $1.19 billion of net losses were on nonprime receivables. We experienced a default rate of 6.7% for nonprime receivables and 2.5% for prime receivables during the year ended December 31, 2013.

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

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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.

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 210,995,049 shares (approximately 60.5%) 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 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 the shareholders agreement that was entered into among us and certain of our shareholders, including SHUSA, Auto Finance Holdings and DDFS (the Shareholders Agreement), 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 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 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.

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, 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 an incremental allowance. Our allowance for loan losses has increased from $384 million, or 5.1% of outstanding principal balance, at December 31, 2009, to $2.5 billion, or 10.4% of outstanding principal balance, at December 31, 2013. The determination of the appropriate level of the allowance for loan losses, 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

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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 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 allowance 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 certain 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.

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 90% as of December 31, 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 December 31, 2013 and 2012, we had approximately $23.3 billion and $16.2 billion, respectively, in principal amount of indebtedness outstanding (including approximately $22.2 billion and $15.9 billion, respectively, in secured indebtedness). Interest expense on our indebtedness constituted approximately 11% of our total interest income for the year ended December 31, 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;
- enter into transactions with 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 certain 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. Santander may elect not to renew these facilities, causing us to have to find other funding sources prior to the maturity of the 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 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 who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against such security breaches or cyber attacks or to alleviate problems caused by such breaches or attacks. Our security measures are designed to protect against security breaches and cyber attacks, but our failure to prevent such security breaches and cyber attacks, whether due to an external cyber-security incident, a programming error, or other cause, could damage our reputation, expose us to mitigation costs and the risks of private litigation and government enforcement, disrupt our business, or otherwise have a material adverse effect on our sales and results of operations.

We partially rely on third parties to deliver services, and failure by those parties to provide these services or meet contractual requirements could have a material adverse effect on our business.

We depend on third-party service providers for many aspects of our business operations. For example, we depend on third parties like Experian to obtain data related to our market that we use in our origination and servicing platforms. In addition, we rely on third-party servicing centers for a portion of our servicing activities and on third-party repossession agents. If a service provider fails to provide the services that we require or expect, or fails to meet contractual requirements, such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting our ability to process customers transactions in a timely and accurate manner, otherwise hampering our ability to service our customers, or subjecting us to litigation or regulatory risk for poor vendor oversight. Such a failure could adversely affect the perception of the reliability of our networks and services, and the quality of our brands, and could have a material and adverse effect on our financial condition and results of operations.

Catastrophic events may negatively affect our business, financial condition, and results of operations.

Natural disasters, acts of war, terrorist attacks, and the escalation of military activity in response to these attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, market disruptions, and job losses. These events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to these threats could affect our business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, results of operations, and financial condition.

The obligations associated with being a public company will require significant resources and management attention, which will increase our costs of operations and may divert focus from our business operations.

Until our IPO, we were not required to comply with Securities and Exchange Commission (SEC) requirements to file periodic reports with the SEC. As a public company, we are now required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. As a public company, we will also incur significant legal, accounting, insurance, and other expenses. Compliance with these reporting requirements and other rules of the SEC and the rules of the NYSE will increase our legal and financial compliance costs and make some activities more time consuming and costly. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management s attention from implementing our growth strategy, which could prevent us from successfully implementing our strategic initiatives and improving our business, results of operations, and financial condition. Among other things, we are required to: prepare and distribute periodic reports and other stockholder communications in compliance with our obligations under the federal securities laws and applicable stock exchange rules; appoint new independent members to our board of directors and committees; create or expand the roles and duties of our board of directors and committees of the board; institute more comprehensive compliance and internal audit functions; evaluate and maintain our system of internal

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control over financial reporting, and report on management s assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board; involve and retain outside legal counsel and accountants in connection with the activities listed above; enhance our investor relations function; and maintain internal policies, including those relating to disclosure controls and procedures. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our total costs and expenses.

Internal controls over financial reporting may not prevent or detect all errors or acts of fraud.

We maintain disclosure controls and procedures designed to ensure that we timely report information as specified in the rules and regulations of the SEC. We also maintain a system of internal control over financial reporting. However, these controls may not achieve their intended objectives. Control processes that involve human diligence and compliance, such as our disclosure controls and procedures and internal control over financial reporting, are subject to lapses in judgment and breakdowns resulting from human failures. Controls can also be circumvented by collusion or improper management override. Because of such limitations, there are risks that material misstatements due to error or fraud may not be prevented or detected and that information may not be reported on a timely basis. If our controls are not effective, it could have a material adverse effect on our financial condition, results of operations, and market for our common stock, and could subject us to regulatory scrutiny.

Regulatory Risks

We operate in a highly regulated industry and continually changing federal, state, and local laws and regulations could materially adversely affect our business.

Due to the highly regulated nature of the consumer finance industry, we are required to comply with a wide array of federal, state, and local laws and regulations that regulate, among other things, the manner in which we conduct our origination and servicing operations. These regulations directly impact our business and require constant compliance, monitoring, and internal and external audits. Although we have an extensive enterprise-wide compliance framework structured to continuously monitor our activities, compliance with applicable law is costly, and may create operational constraints.

These laws and their implementing regulations include, among others, usury laws, Anti-Money Laundering requirements (Bank Secrecy Act and USA PATRIOT Act), ECOA, Fair Debt Collection Practices Act, Fair Credit Reporting Act, Privacy Regulations (Gramm-Leach Bliley Act and Right to Financial Privacy Act), Electronic Funds Transfer Act, Servicemembers Civil Relief Act, Telephone Consumer Protection Act, Truth in Lending Act, and requirements related to unfair, deceptive, or abusive acts or practices.

Many states and local jurisdictions have consumer protection laws analogous to, or in addition to, those listed above. These federal, state, and local laws regulate the manner in which financial institutions deal with customers when making loans or conducting other types of financial transactions.

New legislation and regulation may include changes with respect to consumer financial protection measures and systematic risk oversight authority. Such changes present the risk of financial loss due to regulatory fines or penalties, restrictions or suspensions of business, or costs associated with mandatory corrective action as a result of failure to adhere to applicable laws, regulations, and supervisory guidance. Failure to comply with these laws and regulations could also give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, civil or criminal liability, or damage to our reputation, which could materially and adversely affect our business, financial condition, and results of operations.

In connection with the SEC s review of the Annual Reports on Form 10-K filed by Santander Drive Auto Receivables Trust 2010-1 and Santander Drive Auto Receivables Trust 2010-2 (together, the 2010 Trusts) for the fiscal year ended December 31, 2012, the 2010 Trusts received a comment from the SEC regarding the applicability to SCUSA, as the servicer of the 2010 Trusts, of certain servicing criteria set forth in Regulation AB relating to the safeguarding of pool assets and related documentation of the 2010 Trusts. We completed our final response to this comment letter, including amendments to the Form 10-K filings by the 2010 Trusts, in September 2013 and believe there has been no adverse impact on our business.

The Dodd-Frank Act and the creation of the CFPB in addition to recently issued rules and guidance will likely increase our regulatory compliance burden and associated costs.

The Dodd-Frank Act introduced a substantial number of reforms that continue to reshape the structure of the regulation of the financial services industry. In particular, the Dodd-Frank Act includes, among other things, the creation of the CFPB, which is authorized to promulgate and enforce consumer protection regulations relating to financial products and services.

In March 2013, the CFPB issued a bulletin recommending that indirect vehicle lenders, a class that includes us, take steps to monitor and impose controls over dealer markup policies where dealers charge consumers higher interest rates, with the markup shared between the dealer and the lender.

The CFPB is also conducting supervisory audits of large vehicle lenders and has indicated it intends to study and take action with respect to possible ECOA disparate impact credit discrimination in indirect vehicle finance. If the CFPB enters into a consent decree with one or more lenders on disparate impact claims, it could negatively impact the business of the affected lenders, and potentially the business of dealers and other lenders in the vehicle finance market. This impact on dealers and lenders could increase our regulatory compliance requirements and associated costs.

Unlike competitors that are banks, we are subject to the licensing and operational requirements of states and other jurisdictions and our business would be adversely affected if we lost our licenses.

Because we are not a depository institution, we do not benefit from exemptions to state loan servicing or debt collection licensing and regulatory requirements. To the extent that they exist, we must comply with state licensing and various operational compliance requirements in all 50 states and the District of Columbia. These include, among others, form and content of contracts, other documentation, collection practices and disclosures, and record keeping requirements. We are sensitive to regulatory changes that may increase our costs through stricter licensing laws, disclosure laws, or increased fees. Currently, we have all required licenses as applicable to do business in all 50 states and the District of Columbia.

In addition, we are subject to periodic examinations by state and other regulators. The states that currently do not provide extensive regulation of our business may later choose to do so. The failure to comply with licensing or permit requirements and other local regulatory requirements could result in significant statutory civil and criminal penalties, monetary damages, attorneys fees and costs, possible review of licenses, and damage to reputation, brand, and valued customer relationships.

We may be subject to certain banking regulations that may limit our business activities.

Because our largest shareholder is a bank holding company and because we provide third-party services to banks, we are subject to certain banking regulations, including oversight by the Federal Reserve, the Office of the Comptroller of the Currency, and the Bank of Spain. Such banking regulations could limit the activities and the types of businesses that we may conduct. The Federal Reserve has broad enforcement authority over bank holding companies and their subsidiaries. The Federal Reserve could exercise its power to restrict SHUSA from having a non-bank subsidiary that is engaged in any activity that, in the Federal Reserve s opinion, is unauthorized or

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constitutes an unsafe or unsound business practice, and could exercise its power to restrict us from engaging in any such activity. The Federal Reserve may also impose substantial fines and other penalties for violations that we may commit. Additionally, the Federal Reserve has the authority to approve or disallow acquisitions we may contemplate, which may limit our future growth plans. To the extent that we are subject to banking regulation, we could be at a competitive disadvantage because some of our competitors are not subject to these limitations.

Risks Related to Our Common Stock

The market price of our common stock may be volatile, which could cause the value of an investment in our common stock to decline.

The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

- general market conditions;
- domestic and international economic factors unrelated to our performance;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in or failure to meet publicly disclosed expectations as to our future financial performance;
- downgrades in securities analysts estimates of our financial performance or lack of research and reports by industry analysts;
- changes in market valuations or earnings of similar companies;
- any future sales of our common stock or other securities; and
- additions or departures of key personnel.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our common stock. In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management s attention and resources, and harm our business or results of operations. For example, we are currently operating in, and have benefited from, a protracted period of historically low interest rates that will not be sustained indefinitely, and future fluctuations in interest rates could cause an increase in volatility of the market price of our common stock.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have anti-takeover effects, which could limit the price investors might be willing to pay in the future for our common stock. In addition, Delaware law may inhibit takeovers of us and could limit our ability to engage in certain strategic transactions our board of directors believes would be in the best interests of stockholders.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could discourage unsolicited takeover proposals that stockholders might consider to be in their best interests. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

- fix the number of directors and provide that the number of directors may only be changed by an amendment to our bylaws;

- limit the ability of our stockholders to nominate candidates for election to our board of directors;

- authorize the issuance of blank check preferred stock without any need for action by stockholders;
- limit the ability of stockholders to call special meetings of stockholders or to act by written consent in lieu of a meeting; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that may be acted on by stockholders at stockholder meetings.

The foregoing factors, as well as the significant common stock ownership by SHUSA, could impede a merger, takeover, or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock.

In addition, Section 203 of the Delaware General Corporation Law (the DGCL) generally affects the ability of an interested stockholder to engage in certain business combinations, including mergers, consolidations, or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an interested stockholder. An interested stockholder is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation. We elected in our amended and restated certificate of incorporation not to be subject to Section 203 of the DGCL. However, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that each of SHUSA and its successors and affiliates and certain of its direct transferees are not deemed to be interested stockholders, and, accordingly are not subject to such restrictions, as long as it and its affiliates own at least 10% of our outstanding shares of common stock.

Our common stock is subordinate to all of our existing and future indebtedness and any preferred stock, and effectively subordinated to all indebtedness and preferred equity claims against our subsidiaries.

Shares of our common stock are common equity interests in us and, as such, rank junior to all of our existing and future indebtedness and other liabilities. Additionally, holders of our common stock may become subject to the prior dividend and liquidation rights of holders of any classes or series of preferred stock that our board of directors may designate and issue without any action on the part of the holders of our common stock. Furthermore, our right to participate in a distribution of assets upon any of our subsidiaries liquidation or reorganization is subject to the prior claims of that subsidiary s creditors and preferred stockholders.

SHUSA has significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

SHUSA owns approximately 60.5% of our common stock, and accordingly has significant influence over us, including and pursuant to the terms of the Shareholders Agreement. Pursuant to the Shareholders Agreement, SHUSA has the right to nominate a majority of our directors, provided certain minimum share ownership thresholds are maintained. Through our board of directors, SHUSA controls our policies and operations, including, among other things, the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence of debt by us, and the entering into of extraordinary transactions.

In addition, the Shareholders Agreement provides the directors nominated by SHUSA with approval rights over certain specific material actions taken by SCUSA, provided certain minimum share ownership thresholds are maintained. These material actions include changes in material accounting policies, changes in material tax policies or positions and changes in our principal line of business.

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We are a controlled company within the meaning of the NYSE rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

SHUSA owns a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, group, or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a separate nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a separate compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

We intend to utilize these exemptions. As a result, we will not have a majority of independent directors and we will not have a nominating and corporate governance committee. Additionally, we will not have a compensation committee comprised of a majority of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our corporate headquarters are located in Dallas, Texas, where we lease approximately 125,000 square feet of office and operations space pursuant to a lease agreement expiring in 2016. In October 2013, we signed a lease expiring in 2024 for an additional 373,000 square feet of office and operations space in Dallas, Texas. We intend to move our corporate headquarters to this newly leased space in 2014. We also lease a 165,000 square foot servicing facility in North Richland Hills, Texas, a 73,000 square foot servicing facility in Lewisville, Texas, a 43,000 square foot servicing facility in Englewood, Colorado, and a 2,000 square foot operations facility in Costa Mesa, California, under leases that expire at various dates through 2018. Management believes the terms of the leases are consistent with market standards and were arrived at through arm s-length negotiation. For additional information regarding the Company s properties refer to Note 11 Commitments and Contingencies in the Notes to Consolidated Financial Statements in Item 8 of this Report.

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ITEM 3. LEGAL PROCEEDINGS

On September 13, 2013, Ally Financial Inc. filed suit against us in the United States District Court for the Eastern District of Michigan, in a matter pending as Case No. 13-CV-13929, alleging copyright infringement and misappropriation of trade secrets and confidential information in connection with our launch of Chrysler Capital and, in particular, our offering of floorplan lines of credit to Chrysler dealerships. We consider the allegations to be without merit and intend to vigorously defend the case.

From time to time, we may become involved in various additional lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We do not expect that the legal proceedings to which we are currently party, individually, or in the aggregate, will have a material adverse impact.

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ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company s common stock began trading on the NYSE (under the symbol SC) on January 23, 2014. Prior to January 23, 2014, there was no established public trading market for the Company s common stock. The approximate number of record holders of the Company s common stock as of February 28, 2014 was 344 although we estimate the number of beneficial stockholders to be much higher as a number of our shares are held by brokers or dealers for their customers in street name.

Dividends

Our dividends during the two most recent fiscal years have been as follows:

Date	Dividend per share
April 2012	$ 0.95
September 2012	0.42
October 2012	0.58
December 2012	0.17
April 2013	0.84

We currently intend to pay dividends on a quarterly basis at an initial amount of approximately $0.15 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 operation, capital needs, government regulations, and any other factors that our board of directors may deem relevant at such time and from time to time.

Securities Authorized for Issuance under Equity Compensation Plans

Information relating to our equity compensation plans is set forth in Item 11 under Equity Compensation Plan Information.

Recent Sales of Unregistered Securities

On December 28, 2013, SCUSA Illinois granted certain of our employees an aggregate of 583,890 restricted shares of our common stock under its Omnibus Incentive Plan. The Omnibus Incentive Plan and all outstanding awards thereunder were subsequently assumed by us in connection with the Reorganization. These grants were exempt from the registration requirements of the Securities Act pursuant to Rule 701 promulgated thereunder inasmuch as they were offered and sold under written compensatory benefit plans and otherwise in compliance with the provisions of Rule 701.

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ITEM 6. SELECTED FINANCIAL DATA

	Year Ended				
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
	(Dollars in thousands, except per share data)				
Income Statement Data					
Income from individually acquired retail installment contracts	$ 3,227,845	$ 2,223,833	$ 1,695,538	$ 1,308,728	$ 1,281,515
Income from purchased receivables portfolios	410,213	704,770	870,257	734,634	218,240
Other financing income	141,024	19,899	28,718	33,216	10,485
Interest and fees on finance receivables and loans	3,779,082	2,948,502	2,594,513	2,076,578	1,510,240
Interest expense	408,787	374,027	418,526	316,486	235,031
Net leased vehicle income	33,398				
Net interest margin	3,403,693	2,574,475	2,175,987	1,760,092	1,275,209
Provision for loan losses on individually acquired retail installment contracts	1,651,416	1,119,074	741,559	750,625	720,938
Incremental increase in allowance related to purchased receivables portfolios	7,716	3,378	77,662	137,600	
Other provision for loan losses	193,835				
Provision for loan losses	1,852,967	1,122,452	819,221	888,225	720,938
Profit sharing	78,246				
Other income	311,566	295,689	452,529	249,028	48,096
Costs and expenses	698,958	559,163	557,083	404,840	249,012
Income tax expense	389,418	453,615	464,034	277,944	143,834
Net income	695,670	734,934	788,178	438,111	209,521
Net income attributable to Santander Consumer USA Holdings Inc shareholders	$ 697,491	$ 715,003	$ 768,197	$ 438,111	$ 209,521
Share Data					
Weighted-average common shares outstanding					

Basic		346,177,515		346,164,717		246,056,761		245,781,739		245,781,739
Diluted		346,177,515		346,164,717		246,056,761		245,781,739		245,781,739
Earnings per share attributable to Santander Consumer USA Holdings Inc shareholders										
Basic	$	2.01	$	2.07	$	3.12	$	1.78	$	0.85
Diluted	$	2.01	$	2.07	$	3.12	$	1.78	$	0.85
Net tangible book value per common share at period end										
Excluding other comprehensive income (loss)	$	7.40	$	6.01	$	6.07	$	2.61	$	2.39
Including other comprehensive income (loss)	$	7.39	$	5.99	$	6.04	$	2.61	$	2.34
Dividends declared per share of common stock										
Basic	$	0.84	$	2.12	$	1.89	$	1.63	$	
Diluted	$	0.84	$	2.12	$	1.89	$	1.63	$	
Balance Sheet Data										
Finance receivables and loans	$	21,351,046	$	16,265,820	$	16,715,703	$	15,032,046	$	7,466,267
Goodwill and intangible assets		128,720		126,700		125,427		126,767		142,198
Total assets		26,401,896		18,741,644		19,404,371		16,773,021		8,556,177
Total borrowings		23,295,660		16,227,995		16,790,518		15,065,635		7,525,930
Total liabilities		23,715,064		16,502,178		17,167,686		16,005,404		7,838,862
Total equity		2,686,832		2,239,466		2,236,685		767,617		717,315
Allowance for loan losses		2,539,430		1,774,002		1,208,475		840,599		384,396
Other Information										
Charge-offs, net of recoveries	$	1,266,471	$	1,008,454	$	1,025,133	$	709,367	$	683,844
End of period Delinquent principal over 60 days		1,102,373		865,917		767,838		579,627		502,254
End of period Gross finance receivables and loans		24,542,911		18,655,497		18,754,938		16,843,774		8,309,153
Average gross individually acquired retail installment contracts		18,097,082		12,082,026		8,843,036		6,631,231		5,690,833
Average gross purchased receivables portfolios		3,041,992		6,309,497		7,270,080		4,978,727		975,080
Average Gross finance receivables and loans		21,740,137		18,501,710		16,282,215		12,111,969		7,266,079
Average Total assets		22,558,567		18,411,012		16,067,623		11,984,997		6,930,260
Average Debt		19,675,851		15,677,522		14,557,370		10,672,331		6,083,953

Average Total equity	2,498,831	2,312,781	916,219	850,219	594,097
Ratios					
Yield on individually acquired retail installment contracts	17.8%	18.4%	19.2%	19.7%	22.5%
Yield on purchased receivables portfolios	13.5	11.2	12.0	14.8	22.4
Yield on interest-earning assets	17.4	15.9	15.9	17.1	20.8
Cost of interest-bearing liabilities	2.1	2.4	2.9	3.0	3.9
Efficiency ratio	18.8	19.5	21.2	20.2	18.8
Return on average assets	3.1	4.0	4.9	3.7	3.0
Return on average equity	27.8	31.8	86.0	51.5	35.3
Net chargeoff ratio	5.8	5.5	6.3	5.9	9.4
Delinquency ratio, end of period	4.5	4.6	4.1	3.4	6.0
Tangible common equity to tangible assets	9.7	11.3	11.0	3.8	6.8
Common stock dividend payout ratio	41.6	102.8	60.6	91.3	0.0

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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 End of period Delinquent principal over 60 days to End of period Gross finance receivables and loans.

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 to Earnings per share attributable to Santander Consumer USA Holdings Inc. shareholders.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Background and 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. We mainly originate loans indirectly through manufacturer-franchised and selected independent automotive dealers, as well as through relationships with national and regional banks and OEMs. We also directly originate and refinance vehicle loans online. In February 2013, we entered into a ten-year agreement with Chrysler whereby we originate private-label loans and leases under the Chrysler Capital brand. With this agreement, we are now the preferred financing provider for all of Chrysler s retail consumers, including both prime and nonprime customers. From May 1, 2013, the effective date of the agreement, through December 31, 2013, 30% of our retail installment contract origination volume has been prime, as compared to only 14% in 2012, the last full year prior to our entry into the agreement. In addition, we have several relationships through which we provide unsecured consumer loans, and we have recently expanded into private label credit cards and other consumer finance products. We generate revenues and cash flows through interest and other finance charges on our loans and leases. We also earn servicing fee income on our serviced for others portfolios, which consist of loans that we service but do not own and do not report on our balance sheet.

We have demonstrated significant access to the capital markets by funding our operations through securitization transactions and committed credit lines. We raised a total of over $26 billion of ABS for the years ended 2010 through 2013, and we were the largest 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 $14.6 billion and $4.5 billion, respectively, in committed financing. In addition, we have flow agreements in place with Bank of America and SBNA to fund Chrysler Capital business. We have produced consistent, controlled growth and robust profitability in both growth periods and economic downturns. We have been profitable every year for the past ten years, we delivered an average return on assets of 3.7% from 2009 to 2013 and a return on total common equity of more than 27% in each of those years.

How We Assess Our Business Performance

Net income attributable to our shareholders, and the associated return on equity, are the primary metrics by which we judge the performance of our business. Accordingly, we closely monitor the primary drivers of net income:

Net financing income We track the spread between the interest and finance charge income earned on our assets and the interest expense incurred on our liabilities, and continually monitor the components of our yield and our cost of funds. In addition, we monitor external rate trends, including the Treasury swap curve and spot and forward rates.

Net credit losses Each of our loans and leases is priced using our risk-based proprietary models. The profitability of a loan is directly connected to whether or not the actual net credit losses are consistent with forecasted losses; therefore, we closely analyze credit performance. We perform this analysis at the vintage level for individually acquired retail installment contracts and at the pool level for purchased portfolios, enabling us to pinpoint drivers of any unusual or unexpected trends. We also monitor recovery rates, both industry-wide and our own, because of their contribution to the severity of our charge offs. Additionally, because delinquencies are an early indicator of future net credit losses, we analyze delinquency trends, adjusting for seasonality, to determine whether or not our loans are performing in line with our original estimation.

Costs and expenses We assess our operational efficiency using our cost-to-income ratio. We perform extensive analysis to determine whether observed fluctuations in cost and expense levels

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indicate a trend or are the nonrecurring impact of large projects. Our cost and expense analysis also includes a loan- and portfolio-level review of origination and servicing costs to assist us in assessing profitability by pool and vintage.

Because volume and portfolio size determine the magnitude of the impact of each of the above factors on our earnings, we also closely monitor new business volume along with annual percentage rate (APR) and discounts (including subvention and net of dealer participation).

Recent Developments and Other Factors Affecting Our Results of Operations

Chrysler Capital

Effective May 1, 2013, we became the preferred provider for Chrysler s consumer loans and leases and dealer loans under terms of a ten-year Master Private Label Financing Agreement (Chrysler Agreement). Business generated under terms of the Chrysler Agreement is branded as Chrysler Capital. In connection with entering into the Chrysler Agreement, we paid Chrysler a $150 million upfront, nonrefundable fee, which is being amortized over the ten-year term as an adjustment to finance and other interest income. We have also executed an Equity Option Agreement with Chrysler, whereby Chrysler may elect to purchase an equity participation of any percentage in the Chrysler Capital portion of our business at fair market value.

Under the Chrysler Agreement, we have agreed to specific transition milestones related to market penetration rates, approval rates, dedicated staffing, and service-level standards for the initial year following launch. If the transition milestones are not met in the first year, the agreement may terminate and we may lose the ability to operate as Chrysler Capital. Subsequent to the first year, we must continue to meet penetration and approval rate targets and maintain service-level standards or the agreement can be terminated. Our penetration rate targets, which are measured as of the end of each year of the Chrysler Agreement (April 30), for years one through five of the Chrysler Agreement are 31%, 44%, 54%, 64% and 65%, respectively. During the period from the May 1, 2013 launch of the Chrysler Capital business through December 31, 2013, we originated over $7.5 billion of Chrysler Capital retail installment contracts and over $2.4 billion of Chrysler Capital vehicle leases resulting in a penetration rate of 26.4% as of December 31, 2013, and we expect to meet and exceed our penetration rate target for year one of the agreement. We expect these volumes to continue and that we will achieve the targets in the Chrysler Agreement. The Chrysler Agreement could also be terminated in the event of a change in control of SCUSA, which, as defined in the agreement, would occur if both a single shareholder acquired more than 20% of our outstanding shares of common stock and SHUSA owned fewer shares than that shareholder.

The Chrysler Agreement requires that we maintain $5.0 billion in funding available for certain dealer inventory financing. To meet this requirement, we are party to a flow agreement with SBNA whereby we provide SBNA with the first right to review and assess Chrysler dealer lending opportunities and, if SBNA elects, SBNA provides the proposed financing. We provide servicing on all loans originated under this arrangement.

The Chrysler Agreement also requires that we maintain at least $4.5 billion of retail financing capacity exclusively for our Chrysler Capital business. To meet this requirement, we maintain a credit facility with seven banks providing an aggregate commitment of $4.55 billion of retail funding exclusively for our Chrysler Capital business.

We also have a committed flow agreement with Bank of America, pursuant to which we are committed to sell up to $300 million per month of the prime loans that Chrysler Capital originates through May 2018. We retain servicing on all loans sold under this agreement.

In addition, we may periodically provide certain automotive dealers, primarily Chrysler-franchised dealerships, with real estate loans and working capital revolving lines of credit. Generally, a dealer must have a floorplan loan with us in order to be eligible for real estate loans and working capital revolving lines of credit from us.

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As of December 31, 2013, substantially all of the dealer floorplan loans originated under Chrysler Capital were held by our affiliate, SBNA, under the terms of either of two agreements, a flow agreement entered into in June 2013 and a sale agreement entered into in August 2013. In November 2013, we entered into an additional sale agreement to sell substantially all of the non-floorplan dealer loans to SBNA.

In February 2014, we entered into a lease flow agreement with SBNA, whereby we provide SBNA with the first right to review and approve consumer vehicle lease applications.

LendingClub

In March 2013, we entered into and began purchasing receivables under certain agreements with LendingClub, a peer-to-peer unsecured lending technology company. The agreements allow us to purchase up to 25% of LendingClub s total prime originations through March 2016.

In July 2013, we executed additional agreements with LendingClub whereby we are committed to purchase at least the lesser of $30 million per month or 75% of LendingClub s near-prime originations through July 2015, and the lesser of $30 million per month or 50% of the lending platform company s near-prime originations thereafter through July 2017.

LendingClub continues to service the receivables we purchase.

Bluestem

In April 2013, we entered into and began purchasing loans under certain agreements with Bluestem, a retailer that provides unsecured revolving financing to its customers through a relationship with a third party credit issuer. The terms of the agreements include a commitment by us to purchase certain new advances originated by Bluestem, along with existing balances on accounts with new advances, through April 2020. Bluestem continues to service the loans we purchase. We also are required to make a profit-sharing payment to Bluestem each month.

Lending Technology Company

In December 2012, we entered into an agreement with a point-of-sale lending technology company that enables us to review credit applications of certain retail store customers. We began originating unsecured consumer loans under this agreement in October 2013.

LLC Consolidation

Our consolidated financial statements include the results of two limited liability companies, Auto Loan Acquisition 2011-A and Auto Loan Acquisition 2011-B (collectively, the ALAs) formed to purchase two retail installment contract portfolios totaling $3.8 billion in the fourth quarter of 2011. Two of the investors in Auto Finance Holdings were the equity investors in the ALAs from the time of their formation until the investors abandoned their interests in the ALAs on August 30, 2013. The ALAs were determined to be variable interest entities (VIEs) of which we were the primary beneficiary due to our role as servicer of the portfolios and our potential to absorb losses due to our investment in bonds issued by the ALAs. Accordingly, we included the ALAs in our consolidated financial statements. However, as we had no equity interest in the ALAs prior to the abandonment, the entire comprehensive income and net assets of the ALAs were reported as noncontrolling interests. As a result of the abandonment, we have full ownership of the ALAs and continue to include them in our consolidated financial statements, but no longer report noncontrolling interests related to their activities.

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Stock Compensation

Beginning in 2012, we granted stock options to certain executives and other employees under the Santander Consumer USA Inc. 2011 Management Equity Plan (the Management Equity Plan). The Management Equity Plan is administered by our board of directors and enables us to make stock awards up to a total of approximately 29 million common shares, or 8.5% of our equity as of December 31, 2011. Stock options granted have an exercise price based on the estimated fair market value of our common stock on the grant date. The stock options expire after ten years and include both time vesting and performance vesting options. Generally, no shares obtained through exercise of stock options may be transferred until December 31, 2016; however, our board of directors has approved the amendment of option award agreements with respect to options previously granted under the Management Equity Plan (the Amended Options) and the amendment of the Management Shareholders Agreements effective as of and subject to the occurrence of an IPO to remove certain of these transfer restrictions with respect to shares underlying a portion of such outstanding options and provide for additional transfer restrictions with respect to shares underlying another portion of such outstanding options.

The fair value of the stock options is amortized into income over the vesting period as time and performance vesting conditions are met. Prior to the amendments that took effect upon the IPO, all options had a restriction such that until the later of an IPO or December 31, 2016, if an option holder terminated employment, we had the right to repurchase any or all of the stock obtained by the employee through option exercise. If the employee was terminated for cause or voluntarily left the Company without good reason, the repurchase price would be the lower of the strike price or fair market value at the date of repurchase. If the employee was terminated without cause or voluntarily left the Company with good reason, the repurchase price would be the fair market value at the date of repurchase. We believe that our repurchase right caused the IPO to constitute an implicit vesting condition and therefore did not record any stock compensation expense related to the Management Equity Plan prior to the IPO. As of December 31, 2013, there was approximately $142 million of unrecognized compensation cost related to stock options granted but for which the IPO implicit vesting condition had not been met. We recognized approximately $118 million of this expense on a pre-tax basis upon occurrence of the IPO, with the remainder to be recognized over the remaining vesting period.

Upon the IPO, we granted additional options to certain executives and our independent director under terms of the Management Equity Plan. The fair value of these additional options is approximately $15 million and will be amortized into income over the vesting period as time and, if applicable, performance vesting conditions are met.

In December 2013, we granted restricted shares to certain executives under the Santander Consumer USA Inc. Omnibus Incentive Plan (the Omnibus Incentive Plan). The Omnibus Incentive Plan is administered by our board of directors and enables us to grant awards of nonqualified and incentive stock options, stock appreciation rights (SARs), restricted stock awards, restricted stock units and other awards that may be settled in or based upon the value of our common stock up to a total of 5,192,640 common shares. The value of restricted shares is based on the estimated fair market value of our common stock on the grant date. The restricted shares vest ratably over five years, subject to continued employment.

The fair value of any instruments issued under the Omnibus Incentive Plan is amortized into income over the vesting period as time and performance vesting conditions are met. Total compensation cost related to the restricted shares granted in December 2013 was approximately $12 million and will be recognized over the five-year vesting period of the shares. An insignificant amount of compensation cost relating to the restricted shares was recorded during the year ended December 31, 2013.

Our Reportable Segment

The Company has one reportable segment: Consumer Finance. This segment includes our vehicle financial products and services, including retail installment contracts, vehicle leases, and dealer loans, as well as financial

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products and services related to motorcycles, RVs, and watercraft. It also includes our unsecured personal loan and point-of-sale financing operations.

Originations and Acquisitions

Our volume of individually acquired loans and leases, including net balance increases on revolving loans, average APR and average discount during the years ended December 31, 2013, 2012, and 2011 have been as follows:

	Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
	(Dollar amounts in thousands)		
Retail installment contracts	$ 16,551,354	$ 8,575,730	$ 5,653,346
Average APR (%)	14.7	17.2	17.0
Average discount (%)	2.7	4.3	3.9
Purchased Pools	$	$ 130,270	$ 4,086,070
Average discount (%)		9.2	6.3
Unsecured consumer loans	$ 1,181,597	$	$
Average APR (%)	23.3		
Average discount (%)	5.0		
Receivables from dealers	$ 389,833	$ 18,180	$ 4,138
Average APR (%)	3.2	3.8	3.8
Average discount (%)			
Leases	$ 2,420,882	$	$

We record interest income from individually acquired retail installment contracts, unsecured consumer loans and receivables from dealers in accordance with the terms of the loans, generally discontinuing and reversing accrued income once a loan becomes more than 60 days past due, except in the case of revolving unsecured loans, for which we continue to accrue interest until charge off at 180 days past due. Receivables from dealers and term unsecured consumer loans generally are not acquired at a discount. We amortize discounts, subvention payments from manufacturers, and origination costs as adjustments to income from individually acquired retail installment contracts using the effective yield method. We amortize the discount, if applicable, on revolving unsecured consumer loans straight-line over the estimated period over which the receivables are expected to be outstanding.

For individually acquired retail installment contracts, unsecured consumer loans and receivables from dealers, we also establish a loan loss allowance for the estimated losses inherent in the portfolio. We estimate probable losses based on contractual delinquency status, historical loss experience, expected recovery rates from sale of repossessed collateral, bankruptcy trends, and general economic conditions such as unemployment rates.

We classify our vehicle leases as operating leases. The net capitalized cost of each lease is recorded as an asset, which is depreciated straight-line over the contractual term of the lease to the expected residual value. Lease payments due from customers are recorded as income until and unless a customer becomes more than 60 days delinquent, at which time the accrual of revenue is discontinued and reversed. The accrual is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. Subvention payments from the manufacturer, down payments from the customer, and initial direct costs incurred in connection with originating the lease are amortized straight-line over the contractual term of the lease.

Historically, our primary means of acquiring retail installment contracts was through individual acquisitions immediately after origination by a dealer. We also periodically purchase pools of receivables and had significant volumes of these purchases during the credit crisis. While we continue to pursue such opportunities when available, we did not purchase any material pools during years ended December 31, 2013 and 2012. All of the retail installment contracts acquired during these periods were acquired individually. For our existing purchased receivables portfolios, which were acquired at a discount partially attributable to credit deterioration since origination, we estimate the expected yield on each portfolio at acquisition and record monthly accretion income based on this expectation. We periodically re-evaluate performance expectations and may increase the accretion rate if a pool is performing better than expected. If a pool is performing worse than expected, we are required to continue to record accretion income at the previously established rate and to record a loan loss provision to account for the worsening performance.

Results of Operations

This MD&A should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this Report. Prior to consummation of the Reorganization in January 2014, Santander Consumer USA Holdings Inc. did not engage in any operations or conduct any activities other than those incidental to its formation and the Reorganization and preparations for the IPO. It had only nominal assets and no liabilities prior to the consummation of the Reorganization. Following the consummation of the Reorganization, its assets include shares of Santander Consumer USA Inc., which is its wholly owned subsidiary and operating company. See Reorganization. Accordingly, the discussion below is based solely on the historical financial statements of Santander Consumer USA Holdings Inc.

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The following table presents our results of operations for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
	(Dollar amounts in thousands)		
Interest and fees on finance receivables and loans	$ 3,773,072	$ 2,935,780	$ 2,580,189
Operating leases	154,939		
Other finance and interest income	6,010	12,722	14,324
Total finance and other interest income	3,934,021	2,948,502	2,594,513
Interest expense	408,787	374,027	418,526
Leased vehicle expense	121,541		
Net interest margin	3,403,693	2,574,475	2,175,987
Provision for loan losses	1,852,967	1,122,452	819,221
Net interest margin after provision for loan losses	1,550,726	1,452,023	1,356,766
Profit sharing	78,246		
Net interest margin after provision for loan losses and profit sharing	1,472,480	1,452,023	1,356,766
Total other income	311,566	295,689	452,529
Total costs and expenses	698,958	559,163	557,083
Income before income taxes	1,085,088	1,188,549	1,252,212
Income tax expense	389,418	453,615	464,034
Net income	695,670	734,934	788,178
Noncontrolling interests	1,821	(19,931)	(19,981)
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$ 697,491	$ 715,003	$ 768,197
Net income	$ 695,670	$ 734,934	$ 788,178
Change in unrealized gains (losses) on cash flow hedges, net of tax	9,563	7,271	(5,677)
Change in unrealized gains on investments available for sale, net of tax	(3,252)	(4,939)	(6,340)
Other comprehensive income, net	6,311	2,332	(12,017)
Comprehensive income	701,981	737,266	776,161
	953	(22,180)	(16,815)

Comprehensive (income) loss attributable to noncontrolling interests			
Comprehensive income attributable to Santander Consumer USA Holdings Inc. shareholders	$ 702,934	$ 715,086	$ 759,346

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Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Interest and Fees on Finance Receivables and Loans

	For The Year Ended			
	December 31, 2013	December 31, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$ 3,227,845	$ 2,223,833	$ 1,004,012	45%
Income from purchased receivable portfolios	410,213	704,770	(294,557)	(42%)
Income from receivables from dealers	6,663	7,177	(514)	(7%)
Income from unsecured consumer loans	128,351		128,351	
Total interest and fees on finance receivables and loans	$ 3,773,072	$ 2,935,780	$ 837,292	29%

Income from individually acquired retail installment contracts increased $1.0 billion, or 45%, from 2012 to 2013, or slightly less than the growth in the average outstanding balance of our portfolio of these contracts by 49%, due to the larger proportion of lower-yielding prime assets in our portfolio in 2013.

Income from purchased receivables portfolios decreased $295 million, or 42%, from 2012 to 2013 due to the continued runoff of the portfolios, as we have made no significant portfolio acquisitions since 2011. The average balance of the portfolios decreased from $6.3 billion in 2012 to $3.0 billion in 2013. The impact of the decrease in portfolio size was partially offset by increased accretion income due to improved performance on certain acquired pools.

Income from receivables from dealers decreased from prior year, despite the origination of Chrysler Capital dealer loans for the first time in 2013, due to the higher proportion in 2013 of collateralized loans, which bear a lower interest rate.

Income from unsecured consumer loans includes interest and fees earned on our unsecured revolving and term consumer loans, all of which were acquired in 2013. It also includes accretion of discount on our unsecured revolving consumer loans.

Leased Vehicle Income and Expense

	For The Year Ended	
	December 31, 2013	December 31, 2012
	(Dollar amounts in thousands)	
Leased vehicle income	$ 154,939	$

Leased vehicle expense	121,541	
	$ 33,398	$

The Company began originating vehicle leases in 2013 due to the Chrysler Capital agreement effective May 1, 2013. Leased vehicle revenue includes customer payments and the accretion of manufacturer incentive payments and discounts, net of amortization of initial direct costs incurred in connection with origination of the leases and amortization of dealer participation. Leased vehicle expense includes depreciation of the leased vehicle and gains and losses on sale of vehicle upon lease termination.

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Interest Expense

	For The Year Ended			
	December 31, 2013	December 31, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Interest expense on notes payable	$ 376,702	$ 311,132	$ 65,570	21%
Interest expense on derivatives	32,080	61,644	(29,564)	(48%)
Other interest expense	5	1,251	(1,246)	(100%)
Total interest expense	$ 408,787	$ 374,027	$ 34,760	9%

Interest expense on notes payable increased $66 million, or 21%, from 2012 to 2013, less than the growth in average debt outstanding of 26%, due to the more favorable interest rates on our most recent secured structured financings.

Interest expense on derivatives decreased $30 million, or 48%, from 2012 to 2013 primarily due to the $13 million more favorable positive impact of mark-to-market adjustments on trading derivatives in 2013 as compared to 2012, as interest rates moved more favorably on our positions. We also incurred approximately $17 million less interest expense on our derivatives, despite an increasing notional balance outstanding, due to the more favorable interest rate environment in 2013.

Provision for Loan Losses

	For The Year Ended			
	December 31, 2013	December 31, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Provision for loan losses on individually acquired retail installment contracts	$ 1,651,416	$ 1,119,074	$ 532,342	48%
Incremental increase in allowance related to purchased receivable portfolios	7,716	3,378	4,338	128%
Provision for loan losses on receivables from dealers	1,090		1,090	
Provision for loan losses on unsecured consumer loans	192,745		192,745	
Provision for loan losses	$ 1,852,967	$ 1,122,452	$ 730,515	65%

Provision for loan losses on our individually acquired retail installment contracts increased $532 million, or 48%, from 2012 to 2013, driven by faster portfolio growth and an increase in the net charge off rate. Our portfolio of individually acquired retail installment contracts grew by 50% in 2013, up from 42% in 2012, due to the higher current year origination volume, primarily driven by Chrysler Capital business. Our net charge off rate increased from prior year due to increased competition having made it more difficult for lenders, including us, to price for incremental risk.

The allowance for purchased receivables decreased $7.7 million in 2013 as compared to $3.4 million in 2012, primarily due to an enhancement to the impairment model. To better reflect the behavior of the purchased receivables portfolios as they become more seasoned, during 2013 we adjusted the volatility factor that is applied to the loss estimates in this model. The impact of this change was a $36.8 million decrease to the allowance related to purchased receivables portfolios.

We began recording provision on receivables from dealers and unsecured consumer loans in 2013 due to our entry into the Chrysler dealer loan business and the unsecured lending business.

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Profit Sharing

	For The Year Ended December 31, 2013	December 31, 2012
	(Dollar amounts in thousands)	
Profit sharing	$ 78,246	$

Profit sharing includes revenue sharing payments due to Chrysler Group based on a portion of net interest income on consumer loans and leased vehicle income originated under the Chrysler Capital business since May 1, 2013. Payments are accrued as incurred and paid quarterly in arrears, beginning in July 2013. Profit sharing also includes profit sharing payments due to the originator and servicer of the Company s unsecured revolving loan portfolio. Payments are accrued as incurred and paid monthly in arrears, beginning in June 2013.

Other Income

	For The Year Ended December 31, 2013	December 31, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Gain on sale of receivables	$ 40,689	$	$ 40,689	
Servicing fee income	25,464	34,135	(8,671)	(25%)
Fees, commissions and other	245,413	261,554	(16,141)	(6%)
Total other income	$ 311,566	$ 295,689	$ 15,877	5%
Average serviced for others portfolio	$ 2,864,940	$ 2,973,711	$ (108,771)	(4%)

Gain on sale of receivables is primarily comprised of the gains recognized on off-balance sheet securitizations on our new Chrysler Capital platform. The Company executed two such securitizations in the fourth quarter of 2013, selling a total of approximately $1.1 billion in loans and recognizing a total gain of approximately $25 million. Gain on sale of loans also includes the total $15 million in gains on monthly sales totaling $1.4 billion in loans to Bank of America under terms of a flow agreement, as well as the approximately $1 million gain on the sales of approximately $222 million in dealer loans to SBNA in 2013.

We record servicing fee income on loans that we service but do not own and do not report on our balance sheet. Servicing fee income decreased 25% in 2013 as compared to the prior year, due to the decline in our average third-party serviced portfolio, in addition to the growth of lower-yielding recently originated prime assets as a percentage of the serviced portfolio.

Fees, commissions, and other decreased $16 million, or 6%, from 2012 to 2013 despite the increase in total owned and serviced portfolio size. The decrease was driven by a decline in deficiency income (proceeds on loans that were charged off prior to our acquiring them) from $94 million in 2012 to $41 million in 2013.

Costs and Expenses

	For The Year Ended			
	December 31, 2013	December 31, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Salary and benefits expense	$ 305,056	$ 225,159	$ 79,897	35%
Servicing and repossession expense	147,543	136,554	10,989	8%
Other operating costs	246,359	197,450	48,909	25%
Total costs and expenses	$ 698,958	$ 559,163	$ 139,795	25%

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Total costs and expenses increased 25% from 2012 to 2013, due to the increases in headcount and incentive compensation and servicing and repossession expense driven by growth in our portfolio. Despite the increase in costs, our efficiency ratio improved from prior year as revenues from the new lines of business exceeded the increase in costs.

Income Tax Expense

	For The Year Ended			
	December 31, 2013	December 31, 2012	Increase (Decrease)	
			Amount	Percent
	(Dollar amounts in thousands)			
Income tax expense	$ 389,418	$ 453,615	$ (64,197)	(14%)
Income before income taxes	1,085,088	1,188,549	(103,461)	(9%)
Effective tax rate	35.9%	38.2%		

Our effective tax rate decreased from 38.2% in 2012 to 35.9% in 2013, primarily due to partial releases in 2013 of a valuation allowance established in 2012 for capital loss carryforwards for which we did not have a plan to recognize offsetting capital gains, enabling recognition of the losses before their expiration in 2017. Deficiency balance sales in 2013 resulted in the realization for tax purposes of capital gains that partially offset the capital losses carried forward from the prior year.

Other Comprehensive Income (Loss)

	For The Year Ended		Increase (Decrease)	
	December 31, 2013	December 31, 2012	Amount	Percent
	(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges, net of tax	$ 9,563	$ 7,271	$ 2,292	32%
Change in unrealized gains on investments available for sale, net of tax	(3,252)	(4,939)	1,687	(34%)
Other comprehensive income (loss), net	$ 6,311	$ 2,332	$ 3,979	171%

The positive changes in unrealized gain (loss) on cash flow hedges were driven by the maturity of hedges and the resulting recognition in income of losses previously accumulated in other comprehensive income (loss).

The decrease in unrealized gains on our investments was smaller in 2013 than in 2012 as the bonds continued to amortize and were paid off in August 2013.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Interest and Fees on Finance Receivables and Loans

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$ 2,223,833	$ 1,695,538	$ 528,295	31%
Income from purchased receivables portfolios	704,770	870,257	(165,487)	(19%)
Income from receivables from dealers	7,177	14,394	(7,217)	(50%)
Total finance and other interest income	$ 2,935,780	$ 2,580,189	$ 355,591	14%

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Income from individually acquired retail installment contracts increased by $528 million, or 31%, driven by the 37% increase in the average outstanding balance of our portfolio of individually acquired loans (from $8.8 billion in 2011 to $12.1 billion in 2012). This increase was in turn driven by strong origination volume, as originations increased from $5.7 billion in 2011 to $8.6 billion in 2012.

Income from purchased receivables portfolios decreased $165 million, or 19%, as a result of the 13% decrease in the average outstanding balance of our purchased receivables portfolios, from $7.3 billion in 2011 to $6.3 billion in 2012. This decrease was driven by the runoff of the purchased pools, most of which were purchased prior to 2011, with the exception of two pools totaling $3.8 billion that were previously serviced for a third party but were consolidated beginning in December 2011.

Income from receivables from dealers decreased 50%, primarily due to the paydown of the residual warehouse credit facility with a third-party vehicle dealer and lender from $200 million to $100 million during 2011.

Interest Expense

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Interest expense on notes payable	$ 311,132	$ 289,513	$ 21,619	7%
Interest expense on derivatives	61,644	122,257	(60,613)	(50%)
Other interest expense	1,251	6,756	(5,505)	(81%)
Total interest expense	$ 374,027	$ 418,526	$ (44,499)	(11%)

Interest expense on notes payable increased 7%, due to the 8% increase in average debt outstanding.

Interest expense on derivatives decreased $61 million, primarily due to the $8 million positive impact of mark-to-market adjustments on trading derivatives in 2012 versus the $37 million negative impact of mark-to-market adjustments on these derivatives in 2011, as interest rates moved more favorably on our positions in 2012 versus 2011. We also incurred approximately $15 million less interest expense on our derivatives in 2012, despite maintaining a consistent notional balance outstanding, due to the more favorable interest rate environment.

Provision for Loan Losses

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Provision for loan losses on individually acquired retail installment contracts	$ 1,119,074	$ 741,559	$ 377,515	51%
Incremental increase in allowance related to purchased receivables portfolios	3,378	77,662	(74,284)	(96%)

Provision for loan losses on retail installment contracts	$ 1,122,452	$ 819,221	$ 303,231	37%

Total provision for loan losses on our individually acquired loans increased $378 million, or 51%, primarily as a result of the 37% increase in the average balance of our organic loan portfolio. We also increased loan loss allowance coverage from 9.9% at December 31, 2011 to 11.0% at December 31, 2012 as we observed an increase in the average time period between the first sign of events that may result in delinquency and actual charge off.

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The allowance on purchased receivables increased $3 million in 2012 as compared to $78 million in 2011 due to the run off of the portfolios and overall less deterioration in performance.

We did not record a provision for loan losses on receivables from dealers in 2012 or 2011 due to the immateriality of projected losses. We had no unsecured consumer loans in 2012 or 2011.

Other Income

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Dollar amounts in thousands)			
Servicing fee income	$ 34,135	$ 251,394	$ (217,259)	(86%)
Fees, commissions, and other	261,554	201,135	60,419	30%
Total other income	$ 295,689	$ 452,529	$ (156,840)	(35%)
Average serviced for others portfolio	$ 2,973,711	$ 7,833,390	$ (4,859,679)	(62%)

Servicing fee income decreased $217 million, or 86%, primarily reflecting the 62% decline in our average third-party serviced portfolio. In December 2011, the results of two LLCs formed to purchase two retail installment contract portfolios totaling $3.8 billion previously serviced by us under a third-party agreement were consolidated in our financial statements. As a result, we now earn finance and other income from this portfolio instead of servicing fee income. This portfolio had a higher average servicing fee than the remaining serviced portfolios due to servicer incentive payments earned, resulting in a larger percentage decline in servicing fee income than in average assets serviced. We remain the servicer of the portfolio but do not report the servicing fee as income as it is eliminated against servicing fee expense in consolidation. Serviced portfolios continue to run off and we entered into no new servicing contracts.

Fees, commissions, and other increased $60 million, or 30%, primarily attributable to higher customer fees on our owned portfolio, as well as a $15 million increase in income from purchased deficiencies.

Costs and Expenses

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Dollar amounts in thousands)			
Salary and benefits expense	$ 225,159	$ 213,688	$ 11,471	5%
Servicing and repossession expense	136,554	155,857	(19,303)	(12%)
Other operating expenses	197,450	187,538	9,912	5%
Total costs and expenses	$ 559,163	$ 557,083	$ 2,080	0%

Total costs and expenses remained flat, totaling $559 million in 2012 compared to $557 million in 2011. Salary and benefits expense growth reflects an increase in headcount and incentive compensation year-over-year to support our originations growth. Servicing and repossession expenses decreased due to lower repossession costs during 2012. Other operating expenses increased, reflecting additional investment in IT infrastructure. Our efficiency ratio decreased from 21.2% in 2011 to 19.5% in 2012, primarily due to the lower servicing expenses in 2012 as our cost structure permits us to increase our serviced portfolio without a directly corresponding increase in cost.

Income Tax Expense

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Income tax expense	$ 453,615	$ 464,034	$ (10,419)	(2%)
Income before income taxes	1,188,549	1,252,212	(63,663)	(5%)
Effective tax rate	38.2%	37.1%		

Our effective tax rate increased from 37.1% for the year ended December 31, 2011 to 38.2% for the year ended December 31, 2012, primarily driven by a $22.4 million valuation allowance established in 2012 for capital loss carryforwards for which we did not have a plan to recognize offsetting capital gains enabling recognition of the losses before their expiration in 2017.

Other Comprehensive Income (Loss)

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges, net of tax	$ 7,271	$ (5,677)	$ 12,948	228%
Change in unrealized gains (losses) on investments available for sale, net of tax	(4,939)	(6,340)	1,401	22%
Other comprehensive income (loss), net	$ 2,332	$ (12,017)	$ 14,349	119%

Unrealized gains (losses) on cash flow hedges are affected by interest rate movements. The positive change in unrealized gains (losses) on cash flow hedges in 2012 as compared to the negative change in 2011 was driven by more favorable interest rate movements on our cash flow hedges, consistent with the trend in mark-to-market impact we experienced on our trading hedges as described in Interest Expense.

The negative change in unrealized gains (losses) on investments available for sale in 2012 and 2011 represents the decline in gross unrealized gains on our investments in securitization bonds issued by an automobile retail company as the bonds are amortized. Additionally, the market price at December 31, 2012 was lower than the price at December 31, 2011. The bonds maintained a market price above par value throughout 2012 and 2011.

Credit Quality

Loans and Other Finance Receivables

Nonprime loans comprise 85% of our portfolio as of December 31, 2013. We record an allowance for loan losses to cover expected losses on our individually acquired retail installment contracts and other loans and receivables. For retail installment contracts we acquired in pools subsequent to their origination, we anticipate

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the expected credit losses at purchase and record income thereafter based on the expected effective yield, recording a provision for loan losses only if performance is worse than expected at purchase.

	December 31, 2013				
	Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivable Portfolios	Total	Receivables from Dealers	Unsecured Consumer Loans
	(Dollar amounts in thousands)				
Unpaid principal balance	$ 21,238,281	$ 1,961,060	$ 23,199,341	$ 95,835	$ 1,165,778
Loan loss allowance	(2,132,634)	(226,356)	(2,358,990)	(1,090)	(179,350)
Discount	(573,462)	(81,216)	(654,678)		(32,831)
Capitalized origination costs	33,936		33,936		592
Net carrying balance	$ 18,566,121	$ 1,653,488	$ 20,219,609	$ 94,745	$ 954,189
Allowance and discount as a percentage of unpaid principal balance	13%	16%	13%	1%	18%

	December 31, 2012			
	Retail Installment Contracts Held for Investment			
	Loans Acquired Individually	Purchased Receivable Portfolios	Total	Receivables from Dealers
	(Dollar amounts in thousands)			
Unpaid principal balance	$ 14,186,712	$ 4,406,891	$ 18,593,603	61,894
Loan loss allowance	(1,555,362)	(218,640)	(1,774,002)	
Discount	(348,571)	(293,097)	(641,668)	
Capitalized origination costs	25,993		25,993	
Net carrying balance	$ 12,308,772	$ 3,895,154	$ 16,203,926	$ 61,894
Allowance and discount as a percentage of unpaid principal balance	13%	12%	13%	0%

Delinquency

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. Delinquencies may vary from period to period based upon the average age or seasoning of the portfolio, seasonality within the calendar year, and economic factors. Historically, our delinquencies have been highest in the period from November through January due to consumers holiday spending.

The following is a summary of retail installment contracts held for investment that are (i) 31-60 days delinquent and (ii) more than 60 days delinquent but not yet in repossession:

	December 31, 2013				December 31, 2012	
	Retail Installment Contracts Held for Investment		Unsecured Consumer Loans		Retail Installment Contracts Held for Investment	
	Dollars (in thousands)	Percent (1)	Dollars (in thousands)	Percent (1)	Dollars (in thousands)	Percent (1)
31-60 days past due	$ 2,050,688	8.8%	$ 28,102	2.4%	$ 1,824,955	9.8%
Greater than 60 days past due (non-performing)	1,037,013	4.5%	65,360	5.6%	865,917	4.7%
Total delinquent contracts	$ 3,087,701	13.3%	$ 93,462	8.0%	$ 2,690,872	14.5%

(1) Percent of unpaid principal balance

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All of our receivables from dealers and all of our retail installment contracts held for sale were current as of December 31, 2013.

Credit Loss Experience

The following is a summary of our net losses and repossession activity on our finance receivables for the years ended December 31, 2013, 2012, and 2011.

	For the Year Ended December 31,			
	2013		2012	2011
	Retail Installment Contracts - Held for Investment	Unsecured Consumer Loans	Retail Installment Contracts - Held for Investment	Retail Installment Contracts - Held for Investment
	(Dollar amounts in thousands)			
Principal outstanding at period end	$ 23,199,341	$ 1,165,778	$ 18,593,603	$ 18,620,800
Average principal outstanding during the period (1)	$ 21,064,817	$ 425,229	$ 18,391,523	$ 16,113,117
Number of receivables outstanding at period end	1,620,809	1,659,736	1,548,944	1,683,628
Average number of receivables outstanding during the period (1)	1,580,233	798,328	1,605,211	1,333,231
Number of repossessions (2)	181,721	n/a	175,665	144,299
Number of repossessions as a percent of average number of receivables outstanding	11.50%	n/a	10.94%	10.82%
Net losses	$ 1,253,077	$ 13,395	$ 1,008,454	$ 1,025,133
Net losses as a percent of average principal amount outstanding	5.95%	3.15%	5.48%	6.36%

(1) Average unsecured consumer loans reflect averages since program inception in March 2013.
(2) Repossessions are net of redemptions. The number of repossessions includes repossessions from the outstanding portfolio and from accounts already charged off.

We have had no charge offs on our receivables from dealers.

Deferrals and Troubled Debt Restructurings

In accordance with our policies and guidelines, we, at times, offer payment deferrals to borrowers on our retail installment contracts, whereby the consumer is allowed to move up to three delinquent payments to the end of the loan. Our policies and guidelines limit the number and frequency of deferrals that may be granted to one every six months and eight over the life of a loan. Additionally, we generally limit the granting of deferrals on new accounts until a requisite number of payments has been received. During the deferral period, we continue to accrue and collect interest on the loan in accordance with the terms of the deferral agreement.

At the time a deferral is granted, all delinquent amounts may be deferred or paid, resulting in the classification of the loan as current and therefore not considered a delinquent account. Thereafter, such account is aged based on the timely payment of future installments in the same manner as any other account.

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The following is a summary of deferrals on our retail installment contracts held for investment as of the dates indicated:

	December 31, 2013		December 31, 2012		December 31, 2011	
	(Dollar amounts in thousands)					
Never deferred	$ 17,532,461	75.6%	$ 13,133,195	70.6%	$ 12,593,162	67.6%
Deferred once	2,935,099	12.7%	2,665,768	14.3%	3,376,506	18.1%
Deferred twice	1,356,957	5.8%	1,506,115	8.1%	1,789,918	9.6%
Deferred 3 - 4 times	1,311,791	5.7%	1,255,805	6.8%	848,128	4.6%
Deferred greater than 4 times	63,033	0.3%	32,720	0.2%	13,086	0.1%
Total	$ 23,199,341		$ 18,593,603		$ 18,620,800	

We evaluate the results of our deferral strategies based upon the amount of cash installments that are collected on accounts after they have been deferred versus the extent to which the collateral underlying the deferred accounts has depreciated over the same period of time. Based on this evaluation, we believe that payment deferrals granted according to our policies and guidelines are an effective portfolio management technique and result in higher ultimate cash collections from the portfolio.

Changes in deferral levels do not have a direct impact on the ultimate amount of consumer finance receivables charged off by us. However, the timing of a charge-off may be affected if the previously deferred account ultimately results in a charge-off. To the extent that deferrals impact the ultimate timing of when an account is charged off, historical charge-off ratios, loss confirmation periods, and cash flow forecasts for loans classified as troubled debt restructurings (TDRs) used in the determination of the adequacy of our allowance for loan losses are also impacted. Increased use of deferrals may result in a lengthening of the loss confirmation period, which would increase expectations of credit losses inherent in the portfolio and therefore increase the allowance for loan losses and related provision for loan losses. Changes in these ratios and periods are considered in determining the appropriate level of allowance for loan losses and related provision for loan losses.

If a customer s financial difficulty is not temporary, we may agree, or be required by a bankruptcy court, to grant a modification involving one or a combination of the following: a reduction in interest rate, a reduction in loan principal balance, or an extension of the maturity date. The servicer also may grant concessions on our unsecured consumer loans in the form of principal or interest rate reductions or payment plans. The following is a summary of the principal balance as of December 31, 2013 and 2012 of loans that have received these modifications and concessions:

	December 31, 2013		December 31, 2012
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts
	(Dollar amounts in thousands)		
Temporary reduction of monthly payment	$ 1,040,917	$	$ 895,557
Bankruptcy related accounts	130,369	1,792	138,257
Extension of maturity date	116,039		38,520

Interest rate reduction	92,329	6,599	36,045
Other	48,058		69,750
Total modified loans	$ 1,427,712	$ 8,391	$ 1,178,129

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A summary of our recorded investment in TDRs as of the dates indicated is as follows:

	December 31, 2013		December 31, 2012
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts
	(Dollar amounts in thousands)		
Total TDR principal	$ 2,604,351	$ 8,391	$ 1,483,080
Accrued interest	70,965		43,813
Discount	(70,321)	(274)	(36,440)
Origination costs	4,161	5	2,717
Outstanding recorded investment	2,609,156	8,122	1,493,170
Allowance for loan losses	(475,128)	(2,345)	(251,187)
Outstanding recorded investment, net of allowance	$ 2,134,028	$ 5,777	$ 1,241,983

A summary of the principal balance on our performing and nonperforming TDRs as of the dates indicated is as follows:

	December 31, 2013		December 31, 2012
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts
	(Dollar amounts in thousands)		
Current	$ 1,690,893	6,120	$ 860,385
31-60 days past due	556,489	875	383,255
Greater than 60 days past due (non-performing)	356,969	1,396	239,440
Total TDRs	$ 2,604,351	$ 8,391	$ 1,483,080

As of December 31, 2013 and 2012, we did not have any dealer loans classified as TDRs and had not granted deferrals or modifications on any of these loans.

Liquidity and Capital Resources

We require a significant amount of liquidity to originate and acquire loans and leases and to service debt. We fund our operations primarily through securitization in the ABS market and committed credit lines from third-party banks and Santander. In addition, we utilize large flow agreements. We seek to issue debt that appropriately matches the cash flows of the assets that we originate. We have over $2.6 billion of stockholders equity that supports our access to the securitization markets, credit facilities, and flow agreements.

In the second quarter of 2013, launches of our Chrysler Capital brand and our unsecured lending program drove a significant increase in origination volume to a company-record production for the year of approximately $20.5 billion. We are executing more frequent securitization transactions, as well as continuing to add additional credit facilities and flow agreements, to fund the increased origination volume from our Chrysler Capital and unsecured lending business.

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Our revolving credit facilities consisted of the following:

	December 31, 2013 (Dollar amounts in thousands)					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Warehouse line	June 2014	$ 483,738	$ 500,000	0.82%	$ 757,352	$
Warehouse line	Various (a)	159,300	1,219,474	3.62%	232,015	3,667
Warehouse line (b)	April 2015	613,600	4,550,000	2.12%	745,759	15,184
Warehouse line (c)	June 2015	1,360,070	2,000,000	0.96%	1,672,082	42,510
Warehouse line	July 2015	495,786	500,000	0.85%	598,754	25,056
Warehouse line (d)	September 2015	73,080	200,000	2.84%	76,807	2,701
Repurchase facility (e)	Various	879,199	879,199	1.59%		
Warehouse line	December 2015	210,000	750,000	1.84%	302,632	
Warehouse line (f)	November 2016	175,000	175,000	1.72%		
Total facilities with third parties		4,449,773	10,773,673		4,385,401	89,118
Lines of credit with Santander and related subsidiaries (g):						
Line of credit	December 2016	500,000	500,000	2.48%	10,674	
Line of credit	December 2018		500,000	3.10%		
Line of credit	December 2016	1,750,000	1,750,000	2.09%		
Line of credit	December 2018	1,400,000	1,750,000	2.58%	93,969	
Total facilities with Santander and related subsidiaries		3,650,000	4,500,000		104,643	
Total revolving credit facilities		$ 8,099,773	$ 15,273,673		$ 4,490,044	$ 89,118

(a) One-fourth of the outstanding balance on this facility matures in each of the following months: March 2014, November 2014, March 2015, and November 2015.

(b) This line is held exclusively for Chrysler Capital retail loan and lease financing, with lease financing comprising no more than 50% of the outstanding balance upon advance. On January 8, 2014, the maturity date of this facility was extended to January 2016.

(c) On January 8, 2014, the maturity date of this facility was extended to December 2015.

(d) This line is held exclusively for unsecured consumer term loans.

(e)

The repurchase facility is collateralized by bonds and residuals we retained from our own securitizations. This facility has rolling 30-day and 90-day maturities.

(f) This line is collateralized by residuals we retained from our own securitizations.

(g) These lines are also collateralized by bonds and residuals we retained from our own securitizations. As of December 31, 2013, $1.1 billion of the outstanding balances on credit facilities were unsecured.

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Our secured structured financings primarily consist of public, SEC-registered securitizations. We also execute private securitizations under Rule 144A of the Securities Act and privately issue amortizing notes. Our secured structured financings consisted of the following:

December 31, 2013
(Dollar amounts in thousands)

	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2010 Securitizations	October 2016 - November 2017	$ 632,251	$ 4,671,749	1.04% - 1.44%	$ 1,143,435	$ 205,190
2011 Securitizations	October 2015 - September 2017	1,218,208	5,605,609	1.21% - 2.80%	1,634,220	195,854
2012 Securitizations	November 2017 - December 2018	4,061,127	8,023,840	0.92% - 1.68%	5,013,135	383,677
2013 Securitizations	January 2019 - January 2021	5,503,580	6,689,700	0.89% - 1.59%	6,465,840	351,160
Public securitizations (a)		11,415,166	24,990,898		14,256,630	1,135,881
2010 Private issuance	June 2011	219,704	516,000	1.29%	378,434	8,435
2011 Private issuances	December 2018	662,138	4,856,525	1.46% - 1.80%	908,304	36,449
2012 Private issuance	May 2016	30,526	70,308	1.07%	35,378	3,016
2013 Private issuances	September 2018 - September 2020	2,868,353	2,693,754	1.13% - 1.38%	3,554,569	97,100
Privately issued amortizing notes (b)		3,780,721	8,136,587		4,876,685	145,000
Total secured structured financings		$ 15,195,887	$ 33,127,485		$ 19,133,315	$ 1,280,881

(a) On January 15, 2014, we issued $1.5 billion in notes in a public securitization.

(b) On February 13, 2014, we issued $500 million in amortizing notes, backed by vehicle leases, in a private issuance. On February 21, 2014, we issued approximately $743 million in amortizing notes, backed by auto loans, in a private issuance.

In addition to our credit facilities and secured structured financings, we have flow agreements in place with Bank of America and SBNA.

Credit Facilities

Third-party Revolving Credit Facilities

Warehouse Lines

Warehouse lines are used to fund new originations. Each line specifies the required collateral characteristics, collateral concentrations, credit enhancement, and advance rates. Our warehouse lines generally are backed by auto retail installment contracts and, in the case of the Chrysler Capital dedicated facility described below, leases. These credit lines generally have one- or two-year commitments, staggered maturities and floating interest rates. We maintain daily funding forecasts for originations, acquisitions, and other large outflows such as tax payments in order to balance the desire to minimize funding costs with our liquidity needs.

Our warehouse lines generally have net spread, delinquency, and net loss ratio limits. Generally, these limits are calculated based on the portfolio collateralizing the respective line; however, for one of our warehouse lines, delinquency and net loss ratios are calculated with respect to our serviced portfolio as a whole. Failure to meet any of these covenants could trigger increased overcollateralization requirements or, in the case of limits calculated with respect to the specific portfolio underlying certain credit lines, result in an event of default under these agreements. If an event of default occurs under one of these agreements, the lenders could elect to declare all amounts outstanding under the impacted agreement to be immediately due and payable, enforce their interests against collateral pledged under the agreement, restrict our ability to obtain additional borrowings under the agreement, and/or remove us as servicer. None of our warehouse lines currently have any ratios above their limits, and we have never had a warehouse line terminated due to failure to comply with any ratio or a failure to meet any covenant. A default under one of these agreements can be enforced only with respect to the impacted warehouse line.

In order to comply with the Chrysler Agreement s requirement that SCUSA maintain at least $4.5 billion of financing reserved for the exclusive use of providing short-term liquidity needs to support Chrysler retail financing, we entered into a credit facility on April 29, 2013 with seven banks providing an aggregate commitment of $4.55 billion. The facility has an initial term of two years and can be used for both loan and lease financing (with lease financing comprising no more than 50% of the outstanding balance upon advance). The facility requires reduced advance rates in the event of delinquency, net loss, or residual loss ratios exceeding specified thresholds.

Repurchase Facility

We also obtain financing through an investment management agreement whereby we pledge retained subordinate bonds on our own securitizations as collateral for repurchase agreements with various borrowers and at renewable terms ranging from 30 to 90 days. These repurchase agreements provide an aggregate commitment of approximately $1 billion.

Our equity interests in certain of our subsidiaries have been pledged as collateral under certain of our revolving credit facilities.

Santander Credit Facilities

Santander historically has provided, and continues to provide our business with significant funding support in the form of committed credit facilities. Through its New York branch, Santander provides us with $4.5 billion of long-term committed revolving credit facilities (the Santander Credit Facilities).

The Santander Credit Facilities are structured as three and five year floating rate facilities, with current maturity dates of December 31, 2016 and 2018. Santander has the option to allow us to continue to renew the term of these facilities annually going forward, thereby maintaining the three and five year maturities. These facilities currently permit unsecured borrowing but generally are collateralized by retail installment contracts and retained residuals. Any secured balances outstanding under the Santander Credit Facilities at the time of the facilities maturity will amortize to match the maturities and expected cash flows of the corresponding collateral.

There was an average outstanding balance of approximately $2.9 billion, $1.2 billion, and $3.0 billion under the Santander Credit Facilities during the years ended December 31, 2013, 2012 and 2011, respectively. The maximum outstanding balance during each period was $4.3 billion, $2.2 billion, and $4.9 billion, respectively.

Santander also has provided a $500 million letter of credit facility with a maturity date of December 31, 2014 that we can use as credit enhancement to support increased borrowings on certain third-party credit facilities. We have not used this facility since December 2012. Santander also serves as the counterparty for many of our derivative financial instruments.

Secured Structured Financings

We obtain long-term funding for our receivables through securitization in the ABS market. ABS provides an attractive source of funding due to the cost efficiency of the market, a large and deep investor base, and tenors that appropriately match the cash flows of the debt to the cash flows of the underlying assets. The term structure of a securitization locks in fixed rate funding for the life of the underlying fixed rate assets, and the matching amortization of the assets and liabilities provides committed funding for the collateralized loans throughout their terms. Because of prevailing market rates, we did not issue ABS transactions in 2008