Santander Consumer USA Holdings Inc.
Form 10-Q
November 04, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014
¨ 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 incorporation or organization)	(I.R.S. Employer Identification Number)
1601 Elm Street, Suite 800, Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (214) 634-1110
Not Applicable
(Former name, former address, and formal fiscal year, if changed since last report)

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 ý No ¨
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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ý	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 ý
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 October 31, 2014
Common Stock ($0.01 par value)	348,982,438 shares

INDEX

Cautionary Note Regarding Forward-Looking Information		3
PART I: FINANCIAL INFORMATION		4
Item 1.	Condensed Consolidated Financial Statements	4
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Income and Comprehensive Income	5
	Condensed Consolidated Statements of Equity	6
	Condensed Consolidated Statements of Cash Flows	7
	Note 1. Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices	8
	Note 2. Finance Receivables	10
	Note 3. Leases	11
	Note 4. Loan and Lease Allowance and Credit Quality	12
	Note 5. Debt	17
	Note 6. Variable Interest Entities	21
	Note 7. Derivative Financial Instruments	23
	Note 8. Other Assets	26
	Note 9. Income Taxes	27
	Note 10. Commitments and Contingencies	27
	Note 11. Related-Party Transactions	29
	Note 12. Computation of Basic and Diluted Earnings per Common Share	32
	Note 13. Fair Value of Financial Instruments	32
	Note 14. Employee Benefit Plans	34
	Note 15. Shareholders' Equity	35
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	73
Item 4.	Controls and Procedures	73
PART II: OTHER INFORMATION		74
Item 1.	Legal Proceedings	74
Item 1A.	Risk Factors	74
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	88
Item 3.	Defaults upon Senior Securities	88
Item 4.	Mine Safety Disclosures	88
Item 5.	Other Information	88
Item 6.	Exhibits	89
SIGNATURES		90
EXHIBITS		

Unless otherwise specified or the context otherwise requires, the use herein of the terms " we," "our," "us," "SCUSA," and the "Company" refer to Santander Consumer USA Holdings Inc. and its consolidated subsidiaries.

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q 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 "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," " similar 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. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to the Risk Factors detailed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2013, as supplemented by the risks discussed below in this report in Part II, Item 1A, "Risk Factors," as well as factors more fully described in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, including the exhibits hereto, and subsequent reports and registration statements filed from time to time with the U.S. Securities and Exchange Commission. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

- we operate in a highly regulated industry and continually changing federal, state, and local laws and regulations could materially adversely affect our business;
- 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;
- we are subject to certain bank regulations, including oversight by the Office of the Comptroller of the Currency (the "OCC"), the Consumer Financial Protection Bureau ("CFPB"), the Bank of Spain, and the Federal Reserve, which oversight and regulation may limit certain of our activities, including the timing and amount of dividends and other limitations on our business; and
- future changes in our relationship with Banco Santander, S.A. ("Santander") could adversely affect our operations.

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.

3

PART I: FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)
(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$43,889	$10,531
Receivables held for sale	91,153	82,503
Retail installment contracts held for investment, net	21,319,080	20,219,609
Unsecured consumer loans, net	1,340,283	954,189
Restricted cash	1,989,434	1,563,613
Receivables from dealers, held for investment, net	97,178	94,745
Accrued interest receivable	352,473	319,157
Leased vehicles, net	4,414,008	2,023,433
Furniture and equipment, net of accumulated depreciation of $54,772 and $58,117, respectively	29,274	25,712
Federal, state and other income taxes receivable	119,397	372,338
Deferred tax asset	143,524	197,041
Goodwill	74,056	74,056
Intangible assets	53,935	54,664
Capital lease receivables, net	45,588	—
Other assets — $20,573 and $817 due from affiliates, respectively	528,020	410,305
Total assets	$30,641,292	$26,401,896
Liabilities and Equity		
Liabilities:		
Notes payable — credit facilities, $3,350,000 and $3,650,000 to affiliates, respectively	$8,390,080	$8,099,773
Notes payable — secured structured financings	18,444,397	15,195,887
Accrued interest payable — $7,425 and $11,563 to affiliates, respectively	25,777	26,512
Accounts payable and accrued expenses — $39,529 and $39,772 to affiliates, respectively	304,578	283,106
Federal, state and other income taxes payable	91,460	7,623
Other liabilities — zero and $3,163 to affiliates, respectively	81,787	102,163
Total liabilities	27,338,079	23,715,064
Commitments and contingencies (Notes 5 and 10)		
Equity:		
Common stock, $0.01 par value — 1,100,000,000 shares authorized; 348,984,592 and 346,763,261 shares issued and 348,981,438 and 346,760,107 shares outstanding, respectively	3,490	3,468
Additional paid-in capital	1,551,413	1,409,463
Accumulated other comprehensive income (loss)	4,556	(2,853)
Retained earnings	1,743,754	1,276,754
Total stockholders' equity	3,303,213	2,686,832
Total liabilities and equity	$30,641,292	$26,401,896

See notes to unaudited condensed consolidated financial statements.

4

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited) (Dollars in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest on finance receivables and loans	$1,177,828	$1,011,492	$3,481,605	$2,723,774
Leased vehicle income	263,148	50,099	629,209	60,129
Other finance and interest income	2,512	1,029	3,636	5,870
Total finance and other interest income	1,443,488	1,062,620	4,114,450	2,789,773
Interest expense — Including $30,877, $38,935, $101,956, and $64,479 to affiliates, respectively	129,135	120,589	381,895	291,062
Leased vehicle expense	200,397	41,485	499,601	48,513
Net finance and other interest income	1,113,956	900,546	3,232,954	2,450,198
Provision for credit losses	769,689	598,201	2,057,419	1,223,805
Net finance and other interest income after provision for credit losses	344,267	302,345	1,175,535	1,226,393
Profit sharing	10,556	27,238	66,773	34,802
Net finance and other interest income after provision for credit losses and profit sharing	333,711	275,107	1,108,762	1,191,591
Investment gains, net	38,015	7,678	95,431	8,950
Servicing fee income	20,547	7,384	53,051	21,010
Fees, commissions, and other	91,399	63,278	275,733	178,918
Total other income	149,961	78,340	424,215	208,878
Salary and benefits expense	88,940	79,293	384,544	217,172
Repossession expense	50,738	36,091	144,817	103,231
Other operating costs	62,228	60,756	202,219	175,909
Total operating expenses	201,906	176,140	731,580	496,312
Income before income taxes	281,766	177,307	801,397	904,157
Income tax expense	90,397	65,486	282,081	322,413
Net income	191,369	111,821	519,316	581,744
Noncontrolling interests	—	(576)	—	1,821
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$191,369	$111,245	$519,316	$583,565
Net income	$191,369	$111,821	$519,316	$581,744
Other comprehensive income (loss):				
Change in unrealized gains (losses) on cash flow hedges, net of tax of $5,044, $779, $4,324 and $3,723	8,685	986	7,409	5,821
Change in unrealized gains on investments available for sale, net of tax of zero, $368, zero and $1,993	—	(629)	—	(3,252)
Other comprehensive income, net	8,685	357	7,409	2,569
Comprehensive income	$200,054	$112,178	$526,725	$584,313
Comprehensive (income) loss attributable to noncontrolling interests	—	(624)	—	953
Comprehensive income attributable to Santander Consumer USA Holdings Inc. shareholders	$200,054	$111,554	$526,725	$585,266
Net income per common share (basic)	$0.55	$0.32	$1.49	$1.69
Net income per common share (diluted)	$0.54	$0.32	$1.46	$1.69
Dividends declared per common share	$—	$—	$0.15	$0.84

Weighted average common shares (basic)	348,955,505	346,172,443	348,630,740	346,169,595
Weighted average common shares (diluted)	355,921,570	346,172,443	355,809,576	346,169,595

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited) (In thousands)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Noncontrolling	Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Earnings	Interests	Equity
Balance — January 1, 2013	346,165	$3,462	$1,335,572	$ (9,164)	$869,664	$ 39,932	$2,239,466
Repayment of employee loans	—	—	1,563	—	—	—	1,563
Stock issued in connection with employee incentive compensation plans	4	—	23	—	—	—	23
Purchase of treasury stock	(4)	—	(23)	—	—	—	(23)
Capital contribution received from shareholder	—	—	48,275	—	—	—	48,275
Net income	—	—	—	—	583,565	(1,821)	581,744
Other comprehensive income, net of taxes	—	—	—	2,569	—	—	2,569
Abandonment of noncontrolling interest	—	—	24,053	—	—	(38,111)	(14,058)
Dividends	—	—	—	—	(290,401)	—	(290,401)
Balance — September 30, 2013	346,165	$3,462	$1,409,463	$ (6,595)	$1,162,828	$ —	$2,569,158
Balance — January 1, 2014	346,760	$3,468	$1,409,463	$ (2,853)	$1,276,754	$ —	$2,686,832
Stock issued in connection with employee incentive compensation plans	2,221	22	18,674	—	—	—	18,696
Stock-based compensation expense	—	—	123,276	—	—	—	123,276
Net income	—	—	—	—	519,316	—	519,316
Other comprehensive income, net of taxes	—	—	—	7,409	—	—	7,409
Dividends	—	—	—	—	(52,316)	—	(52,316)
Balance — September 30, 2014	348,981	$3,490	$1,551,413	$ 4,556	$1,743,754	$ —	$3,303,213

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (Dollars in thousands)

	For the Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$519,316	$581,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Derivative mark to market	(15,868)	(16,235)
Provision for credit losses	2,057,419	1,223,805
Depreciation and amortization	561,432	89,743
Accretion of discount, net of amortization of capitalized origination costs	(636,604)	(321,187)
Originations and purchases of receivables held for sale	(3,248,055)	(1,179,109)
Proceeds from sales of and repayments on receivables held for sale	3,264,855	1,114,634
Investment gains, net	(95,431)	(8,950)
Stock-based compensation	123,276	187
Deferred tax expense	49,358	43,481
Changes in assets and liabilities:		
Accrued interest receivable	(83,597)	(74,277)
Accounts receivable	(30,297)	(4,504)
Federal income tax and other taxes	336,778	(181,754)
Other assets	(68,156)	(1,114)
Accrued interest payable	(735)	6,304
Other liabilities	41,273	109,031
Net cash provided by operating activities	2,774,964	1,381,799
Cash flows from investing activities:		
Retail installment contracts originated or purchased from dealers	(11,927,733)	(12,256,669)
Collections on retail installment contracts	6,920,653	7,027,406
Proceeds from sale of loans held for investment	2,392,773	—
Leased vehicles purchased	(3,706,763)	(1,421,078)
Manufacturer incentives received	744,089	194,403
Proceeds from sale of leased vehicles	412,167	7,199
Change in revolving unsecured consumer loans	(177,478)	(524,578)
Unsecured consumer term loans purchased	(542,196)	(108,669)
Collections on unsecured consumer term loans	92,047	5,850
Disbursements for receivables from lenders held for investment	(34,673)	(228,938)
Collections on receivables from lenders held for investment	29,599	112,313
Collections on investments available for sale	—	91,563
Purchases of furniture and equipment	(13,862)	(17,789)
Sales of furniture and equipment	662	991
Upfront fee paid in accordance with private label financing agreement	—	(150,000)
Change in restricted cash	(425,821)	(322,482)
Other investing activities	(4,526)	(5,090)
Net cash used in investing activities	(6,241,062)	(7,595,568)
Cash flows from financing activities:		
Proceeds from notes payable related to secured structured financings — net of debt issuance costs	10,310,701	8,150,330
Payments on notes payable related to secured structured financings	(7,071,464)	(5,740,669)

Proceeds from unsecured notes payable	3,348,334	2,936,130
Payments on unsecured notes payable	(3,681,399)	(2,520,063)
Proceeds from notes payable	20,028,887	18,074,725
Payments on notes payable	(19,405,515)	(14,457,932)
Proceeds from stock option exercises, gross	24,529	—
Repurchase of stock - employee tax withholding	(5,999)	—
Dividends paid	(52,316)	(290,401)
Repayment of employee notes	—	1,562
Capital contribution from shareholder	—	48,275
Cash collateral posted on cash flow hedges	3,698	(31,724)
Net cash provided by financing activities	3,499,456	6,170,233
Net increase (decrease) in cash and cash equivalents	33,358	(43,536)
Cash — Beginning of period	10,531	70,887
Cash — End of period	$43,889	$27,351

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices
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 subsidiaries, a 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 new and used vehicles 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, the Company has several relationships through which it provides unsecured consumer loans, private label credit cards and other consumer finance products.
The Company is owned approximately 60.5% by Santander Holdings USA, Inc. (“SHUSA”), a subsidiary of Banco Santander, S.A. (“Santander”), approximately 28.2% by public shareholders, approximately 10.0% by DDFS LLC, an entity affiliated with Thomas G. Dundon, the Company’s Chairman and Chief Executive Officer (“CEO”), approximately 1.2% by Sponsor Auto Finance Holdings Series LP (“Auto Finance Holdings”) and approximately 0.1% by other holders, primarily members of senior management.

On August 14, 2014, the Company filed a shelf registration statement on Form S-1 with the Securities and Exchange Commission ("the Commission") to register up to 14,178,779 shares of its common stock owned by Auto Finance Holdings. On August 22, 2014, the Commission declared the registration statement effective. On September 8, 2014, J.P. Morgan, acting as sole bookrunner for the offering, purchased 10,047,954 shares, or 2.88% of the Company's outstanding common stock, from Auto Finance Holdings for $18.65 per share. As a result of the sale, Auto Finance Holdings' ownership in the Company declined from approximately 4.1% to approximately 1.2% of the Company's outstanding common stock. Auto Finance Holdings received all of the net proceeds from the sale of such shares.
Basis of Presentation
The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries, including certain special purpose financing trusts utilized in financing transactions (“Trusts”), which are considered variable interest entities (“VIEs”). The Company consolidates other VIEs for which it was deemed the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.
The accompanying condensed consolidated financial statements as of September 30, 2014 and December 31, 2013, and for the three and nine months ended September 30, 2014 and 2013, have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 6, 2014. Certain prior year amounts have been reclassified to conform

to current year presentation; specifically, capital leases are now reportedly separately from other assets in the condensed consolidated balance sheets and disclosed in corresponding footnotes (see Notes 3 and 4), manufacturer incentives received are now reported separately from retail installment contract originations in the condensed

consolidated statements of cash flows, and cash flows on unsecured notes payable are now reflected separately from cash flows on notes payable in the condensed consolidated statements of cash flows.
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the amount of revenue and expenses during the reporting periods. Actual results could differ from those estimates and those differences may be material. These estimates include the determination of loan loss allowance, discount accretion, impairment, expected end-of-term lease residual values, values of repossessed assets, and income taxes. These estimates, although based on actual historical trends and modeling, may potentially show significant variances over time.

Business Segment Information

The Company has one reportable segment: Consumer Finance, which includes the Company's 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 the Company's unsecured personal loan and point-of-sale financing operations.

Accounting Policies

The Company has identified the following significant accounting policies and estimates used by management in the preparation of the Company's financial statements: retail installment contracts, unsecured consumer loans, receivables from dealers, provision for loan losses, leased vehicles, income taxes, and earnings per share. As of September 30, 2014, there have been no significant changes to the Company's accounting policies as disclosed in the Company's consolidated financial statements for the year ended December 31, 2013.

Recently Adopted Accounting Standards

In July 2013, the FASB issued ASU 2013-11, Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits, particularly the manner in which an entity would settle, at the reporting date, any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This guidance became effective for the Company January 1, 2014 and implementation did not have a significant impact on the Company's financial position, results of operations, or cash flows.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides guidance on a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This guidance is effective beginning after December 15, 2016. The Company does not expect the adoption to have a material impact to the consolidated financial statements as loan and lease contracts are excluded.
In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The standard requires entities to account for repurchase-to-maturity transactions as secured borrowings, eliminates accounting guidance on linked repurchase financing transactions, and expands disclosure requirements related to certain transfers of financial assets that are accounted for as secured borrowings. This guidance is effective for the Company beginning January 1, 2015 and early adoption is not permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.
In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award That a Performance Target Could be Achieved after the Requisite Service Period. This standard affects entities that issue share-based payments when the terms of an award stipulate that a performance target could be achieved after an employee completes the requisite service period. This guidance is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.
In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. The standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. This guidance

9

is effective for fiscal years ending after December 15, 2016 with early adoption permitted. The Company does not expect the adoption to have a material impact to the consolidated financial statements as there are not any conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

2. Finance Receivables

Finance receivables held for investment at September 30, 2014 and December 31, 2013, were comprised as follows:

	September 30, 2014				
	Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Unpaid principal balance	$23,890,480	$1,032,828	$24,923,308	$97,826	$1,640,276
Loan loss allowance (Note 4)	(2,793,199)	(192,960)	(2,986,159)	(648)	(300,425)
(Discount) / premium	(660,652)	5,797	(654,855)	—	(297)
Capitalized origination costs and fees	36,786	—	36,786	—	729
Net carrying balance	$20,473,415	$845,665	$21,319,080	$97,178	$1,340,283

	December 31, 2013				
	Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Unpaid principal balance	$21,238,281	$1,961,060	$23,199,341	$95,835	$1,165,778
Loan loss allowance (Note 4)	(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

As of September 30, 2014, retail installment contracts and receivables from dealers held for sale totaled $89,918 and $1,235, respectively. As of December 31, 2013, retail installment contracts and receivables from dealers held for sale totaled $56,066 and $26,437, respectively. Sales of retail installment contracts for the three and nine months ended September 30, 2014 included principal balance amounts of approximately $2,413,251 and $5,483,149. The Company retains servicing of sold retail installment contracts and was servicing $6,928,679 and $2,847,656 as of September 30, 2014 and December 31, 2013, respectively, of contracts owned by unrelated third parties, including contracts sold by the Company.

Retail installment contracts are collateralized by vehicle titles, and the Company has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract. Most of the Company’s retail installment contracts held for investment are pledged against warehouse facilities or securitization bonds (Note 5). Most of the creditors on the Company’s retail installment contracts are retail consumers; however, approximately $677,007 and $345,177 of the unpaid principal balance represented fleet contracts with commercial borrowers as of September 30, 2014 and December 31, 2013, respectively.

Borrowers on the Company’s retail installment contracts held for investment are located in Texas (18%), Florida (11%), California (9%), and other states each individually representing less than 5% of the Company’s total.

Receivables from dealers held for investment includes a term loan, which was previously a residual warehouse credit facility, with a third-party vehicle dealer and lender that operates in multiple states. The loan allowed committed borrowings of $50,000 at September 30, 2014 and December 31, 2013, and the unpaid principal balance of the facility was $50,000 at each of those dates. The term loan will mature on December 1, 2019. On September 16, 2014, the Company sold $18,227 of receivables from dealers to Santander Bank, N.A., formerly Sovereign Bank ("SBNA"), an affiliate (Note 11), resulting in a gain of $347. The Company is entitled to additional proceeds on this sale totaling

$694 if certain conditions, including continued existence and performance of the sold loans, are met at the first and second anniversaries of the sale.

Borrowers on the Company's remaining receivables from dealers held for investment, all of which are Chrysler-affiliated, are located in Virginia (23%), Ohio (21%), California (17%), New York (15%), Tennessee (9%), Louisiana (6%), and other states each individually representing less than 5% of the Company's total.

Borrowers on the Company's unsecured consumer loans are located in California (10%), New York (8%), Texas (8%), Florida (6%), and other states each individually representing less than 5% of the Company's total.

Changes in accretable yield on the Company's purchased receivables portfolios for the periods indicated were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Balance — beginning of period	$305,254	$535,656	$403,400	$816,854
Accretion of accretable yield	(43,231)	(174,201)	(164,651)	(421,913)
Reclassifications from nonaccretable difference	36,394	73,560	59,668	40,074
Balance — end of period	$298,417	$435,015	$298,417	$435,015

The Company also has capital leases classified as finance receivables (Note 3).

3. Leases

The Company has both operating and capital leases which are separately accounted for and recorded on the Company's consolidated balance sheets as leased vehicles, net and capital lease receivables, net.

Operating Leases

Leased vehicles, net, which is comprised of leases originated under the Chrysler Agreement, consisted of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Leased vehicles	$5,645,755	$2,402,052
Origination fees and other costs	2,707	2,716
Manufacturer subvention payments	(614,255)	(259,152)
	5,034,207	2,145,616
Less: accumulated depreciation	(620,199)	(122,183)
	$4,414,008	$2,023,433

The following summarizes the future minimum rental payments due to the Company as lessor under operating leases as of September 30, 2014:

Remainder of 2014	$196,776
2015	766,408
2016	619,909
2017	183,882
2018	313
Thereafter	—
Total	$1,767,288

Capital Leases

In early 2014, the Company began originating leases that are accounted for as capital leases as the contractual residual values are nominal amounts. Capital lease receivables, net consisted of the following as of September 30, 2014:

	September 30, 2014
Gross investment in capital leases	$78,779
Origination fees and other	19
Less unearned income	(27,104)
Net investment in capital leases before allowance	51,694
Less: allowance for lease losses	(6,106)
Net investment in capital leases	$45,588

The following summarizes the future minimum lease payments due to the Company as lessor under capital leases as of September 30, 2014:

Remainder of 2014	$4,639
2015	18,559
2016	18,559
2017	18,486
2018	17,112
Thereafter	1,424
Total	$78,779

4. Loan and Lease Loss Allowance and Credit Quality

Loan and Lease Loss Allowance

The Company estimates loan losses on individually acquired retail installment contracts and unsecured consumer loans held for investment based on delinquency status, historical loss experience, estimated values of underlying collateral, when applicable, and various economic factors. The Company maintains a general loan loss allowance for receivables from dealers based on risk ratings, and individually evaluates the loans for specific impairment as necessary. The loan loss allowance for receivables from dealers is comprised entirely of general allowances as none of these receivables have been determined to be individually impaired.

The activity in the loan loss allowance for individually acquired loans for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Balance — beginning of period	$2,668,587	$923	$212,954	$1,864,313	$1,490	$39,250
Provision for loan losses	601,414	(275)	167,409	447,565	103	56,815
Charge-offs	(932,145)	—	(86,512)	(584,815)	—	(815)
Recoveries	455,343	—	6,574	260,887	—	—
Balance — end of period	$2,793,199	$648	$300,425	$1,987,950	$1,593	$95,250

12

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Balance — beginning of period	$2,132,634	$1,090	$179,350	$1,555,362	$—	$—
Provision for loan losses	1,785,482	(442)	299,750	1,074,487	1,593	96,071
Charge-offs	(2,385,675)	—	(194,426)	(1,338,936)	—	(821)
Recoveries	1,260,758	—	15,751	697,037	—	—
Balance — end of period	$2,793,199	$648	$300,425	$1,987,950	$1,593	$95,250

The activity in the impairment reserves related to purchased receivables portfolios for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance — beginning of period	$197,844	$176,576	$226,356	$218,640
Incremental provisions for purchased receivable portfolios	1,606	245,987	3,281	285,963
Incremental reversal of provisions for purchased receivables portfolios	(6,490)	(152,269)	(36,677)	(234,309)
Balance — end of period	$192,960	$270,294	$192,960	$270,294

The Company estimates lease losses on the capital lease receivable portfolio based on delinquency status, loss experience to date, and consideration of similarity between this portfolio and individually acquired retail installment contracts as well as various economic factors. The activity in the lease loss allowance for capital lease receivables for the three and nine months ended September 30, 2014 was as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Balance — beginning of period	$—	$—
Provision for lease losses	6,106	6,106
Balance — end of period	$6,106	$6,106

Delinquencies

Retail installment contracts and unsecured consumer amortizing term loans are classified as non-performing when they are greater than 60 days past due as to contractual principal or interest payments. Dealer receivables are classified as non-performing when they are greater than 90 days past due. At the time a loan is placed in non-performing status, previously accrued and uncollected interest is reversed against interest income. If an account is returned to a performing status, the Company returns to accruing interest on the contract. The accrual of interest on revolving unsecured consumer loans continues until the loan is charged off. A summary of delinquencies as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014			
	Retail Installment Contracts Held for Investment			Unsecured Consumer Loans
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	
Principal, 31-60 days past due	$2,077,190	$163,047	$2,240,237	$51,274
Delinquent principal over 60 days	888,940	81,048	969,988	131,537
Total delinquent principal	$2,966,130	$244,095	$3,210,225	$182,811

	December 31, 2013			
	Retail Installment Contracts Held for Investment			Unsecured Consumer Loans
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	
Principal, 31-60 days past due	$1,729,139	$321,549	$2,050,688	$28,102
Delinquent principal over 60 days	855,315	181,698	1,037,013	65,360
Total delinquent principal	$2,584,454	$503,247	$3,087,701	$93,462

The balances in the above tables reflect total principal rather than net investment; the difference is considered immaterial.

As of September 30, 2014 and December 31, 2013, there were no receivables from dealers or receivables held for sale that were non-performing. Delinquencies on the capital lease receivables portfolio, which began in 2014, were immaterial as of September 30, 2014.
FICO® Distribution — A summary of the credit risk profile of the Company's consumer loans by FICO® distribution, determined at origination, as of September 30, 2014 and December 31, 2013 was as follows:

September 30, 2014

FICO Band	Retail Installment Contracts Held for Investment (a)	Unsecured Consumer Loans (b)
<540	26.9%	3.2%
540-599	33.2%	20.7%
600-659	26.5%	35.6%
>660	13.4%	40.5%

December 31, 2013

FICO Band	Retail Installment Contracts Held for Investment (a)	Unsecured Consumer Loans (b)
<540	26.8%	6.3%
540-599	31.8%	24.2%
600-659	26.3%	39.4%
>660	15.1%	30.1%

(a) Excluded from the FICO distribution is $2,771,937 and $1,944,204 as of September 30, 2014 and December 31, 2013, respectively, as the borrowers on these loans did not have FICO scores at origination.

(b) Excluded from the FICO distribution is an insignificant amount of loans to borrowers that did not have FICO scores at origination.

Commercial Lending Credit Quality Indicators — The credit quality of receivables from dealers, which are considered commercial loans, is summarized according to standard regulatory classifications as follows:
Pass — Asset is well protected by the current net worth and paying capacity of the obligor or guarantors, if any, or by the fair value less costs to acquire and sell any underlying collateral in a timely manner.

Special Mention — Asset has potential weaknesses that deserve management’s close attention, which, if left uncorrected, may result in deterioration of the repayment prospects for an asset at some future date. Special Mention assets are not adversely classified.
Substandard — Asset is inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. A well-defined weakness or weaknesses exist that jeopardize the liquidation of the debt. The loans are characterized by the distinct possibility that the Company will sustain some loss if deficiencies are not corrected.
Doubtful — Exhibits the inherent weaknesses of a substandard credit. Additional characteristics exist that make collection or liquidation in full highly questionable and improbable, on the basis of currently known facts, conditions and values. Possibility of loss is extremely high, but because of certain important and reasonable specific pending factors which may work to the advantage and strengthening of the credit, an estimated loss cannot yet be determined.
Loss — Credit is considered uncollectible and of such little value that it does not warrant consideration as an active asset. There may be some recovery or salvage value, but there is doubt as to whether, how much or when the recovery would occur.
As discussed in Note 2, the Company has $677,007 of fleet contracts with commercial consumers. Although these loans are recorded in Retail installment contracts held for investment, net, on the consolidated balance sheets, the Company's risk department performs a commercial analysis and classifies certain loans over an internal threshold accordingly based on the classifications above. As of September 30, 2014, the fleet portfolio all was classified as Pass.
Commercial loan credit quality indicators for receivables from dealers held for investment as of September 30, 2014 and December 31, 2013 were as follows:

	September 30, 2014	December 31, 2013
Pass	$95,692	$95,835
Special Mention	2,134	—
Substandard	—	—
Doubtful	—	—
Loss	—	—
	$97,826	$95,835

Troubled Debt Restructurings
In certain circumstances, the Company modifies the terms of its finance receivables to troubled borrowers. Modifications may include a reduction in interest rate, an extension of the maturity date, rescheduling of future cash flows, or a combination thereof. A modification of finance receivable terms is considered a troubled debt restructuring (“TDR”) if the Company grants a concession to a borrower for economic or legal reasons related to the debtor’s financial difficulties that would not otherwise have been considered. Management considers TDRs to include all individually acquired retail installment contracts that have been modified at least once, deferred for a period of 90 days or more, or deferred at least twice. Additionally, restructurings through bankruptcy proceedings are deemed to be TDRs. The purchased receivables portfolio and operating and capital leases are excluded from the scope of the applicable guidance. As of September 30, 2014 and December 31, 2013, there were no receivables from dealers classified as a TDR.

The table below presents the Company's loans modified in TDRs as of September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Total TDR principal	$3,666,676	$15,428	$2,604,351	$8,391
Accrued interest	100,592	—	70,965	—
Discount	(101,396)	(4)	(70,321)	(274)
Origination costs	5,646	14	4,161	5
Outstanding recorded investment	3,671,518	15,438	2,609,156	8,122
Allowance for loan losses	(605,643)	(6,884)	(475,128)	(2,345)
Outstanding recorded investment, net of allowance	$3,065,875	$8,554	$2,134,028	$5,777

A summary of the Company's delinquent TDRs at September 30, 2014 and December 31, 2013, is as follows:

	September 30, 2014		December 31, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Principal, 31-60 days past due	806,819	1,101	556,489	875
Delinquent principal over 60 days	422,776	8,017	356,969	1,396
Total delinquent TDR principal	$1,229,595	$9,118	$913,458	$2,271

A loan that has been classified as a TDR remains so until the loan is liquidated through payoff or charge-off. Consistent with other of the Company's retail installment contracts, TDRs are placed on nonaccrual status when the account becomes past due more than 60 days, and return to accrual status when the account is 60 days or less past due. Average recorded investment and income recognized on TDR loans are as follows:

	Three Months Ended				Nine Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Average outstanding recorded investment in TDRs	$3,412,644	$17,484	$2,076,345	$2,323	$3,060,141	$13,240	$1,816,378	$1,549
Interest income recognized	$130,716	$449	$88,034	$24	$363,305	$1,169	$218,435	$25

TDR Impact on Allowance for Loan Losses

For loans not classified as TDRs, the Company generally estimates an appropriate allowance for loan loss based on delinquency status, the Company's historical loss experience, estimated values of underlying collateral, and various economic factors. Once a loan has been classified as a TDR, impairment is measured based on the present value of expected future cash flows considering all available evidence, including collateral values.

The following table summarizes the financial effects of loan modifications accounted for as TDRs that occurred during the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended			
	September 30, 2014		September 30, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Troubled Debt Restructurings:				
Outstanding recorded investment before TDR	$951,012	$6,284	$615,097	$4,034
Outstanding recorded investment after TDR	$948,164	$6,311	$585,830	$4,020
Number of contracts	57,829	5,653	39,598	5,950

	Nine Months Ended			
	September 30, 2014		September 30, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Troubled Debt Restructurings:				
Outstanding recorded investment before TDR	$2,318,685	$13,032	$1,379,733	$4,184
Outstanding recorded investment after TDR	$2,228,375	$12,978	$1,319,642	$4,169
Number of contracts	141,582	11,788	89,869	6,093

A TDR is considered to have subsequently defaulted upon charge off, which for retail installment contracts is at the earlier of the date of repossession or 120 days past due and for revolving unsecured consumer loans is generally the month in which the receivable becomes 180 days past due. Loan modifications accounted for as TDRs within the previous twelve months that subsequently defaulted during the three and nine months ended September 30, 2014 and 2013 are summarized in the following table:

	Three Months Ended			
	September 30, 2014		September 30, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Troubled debt restructurings that subsequently defaulted	$110,528	$1,054	$341,718	(a)
Number of contracts	10,736	1,015	24,952	(a)

	Nine Months Ended			
	September 30, 2014		September 30, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Troubled debt restructurings that subsequently defaulted	$230,803	$1,801	$371,048	(a)
Number of contracts	23,859	1,766	27,105	(a)

(a) Subsequent defaults on unsecured consumer loan TDRs were insignificant for the periods presented.

17

5. Debt

Revolving Credit Facilities

The following table presents information regarding credit facilities as of September 30, 2014 and December 31, 2013:

	September 30, 2014					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Warehouse line	June 2015	$214,186	$500,000	1.22%	$306,303	$—
Warehouse line	Various (a)	149,602	1,240,393	1.03%	234,040	15,384
Warehouse line (b)	June 2016	2,276,688	4,300,000	0.92%	3,327,514	62,647
Warehouse line	June 2016	598,127	2,500,000	2.04%	821,395	18,408
Warehouse line	July 2015	—	500,000	—	—	—
Warehouse line (c)	September 2015	175,080	200,000	2.02%	—	12,195
Repurchase facility (d)	Various	868,838	875,993	1.59%	—	31,533
Warehouse line	December 2015	331,965	750,000	1.06%	446,467	7,329
Warehouse line (e)	November 2016	175,000	175,000	1.71%	—	134
Warehouse line (f)	March 2015	250,594	250,594	0.98%	—	—
Total facilities with third parties		5,040,080	11,291,980		5,135,719	147,630
Lines of credit with Santander and related subsidiaries (g):						
Line of credit	December 2016	500,000	500,000	2.45%	1,447	—
Line of credit	December 2018	—	500,000	—	—	—
Line of credit	December 2016	1,750,000	1,750,000	2.30%	—	—
Line of credit	December 2018	800,000	1,750,000	2.75%	12,588	—
Line of credit (h)	March 2017	300,000	300,000	1.70%	—	—
Total facilities with Santander and related subsidiaries		3,350,000	4,800,000		14,035	—
Total revolving credit facilities		$8,390,080	$16,091,980		$5,149,754	$147,630

	December 31, 2013					
	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	159,300	1,219,474	3.62%	232,015	3,667
Warehouse line	April 2014	613,600	4,550,000	2.12%	745,759	15,184
Warehouse line	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	September 2015	73,080	200,000	2.84%	76,807	2,701
Repurchase facility	Various	879,199	879,199	1.59%	—	—
Warehouse line	December 2015	210,000	750,000	1.84%	302,632	—
Warehouse line	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:						
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) Half of the outstanding balance on this facility matures in March 2015 and half in March 2016.

(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.

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

(d) The repurchase facility is also collateralized by securitization notes payable retained by the Company. No portion of this facility is unsecured. This facility has rolling 30-day and 90-day maturities.

(e) This line is collateralized by residuals retained by the Company.

(f) This line is collateralized by notes payable retained by the Company.

(g) These lines are also collateralized by securitization notes payable and residuals retained by the Company. As of September 30, 2014 and December 31, 2013, $1,702,720 and $1,123,354, respectively, of the aggregate outstanding balances on these facilities were unsecured.

(h) On October 15, 2014, the Company made a $28,596 principal payment to increase the overcollateralization on this warehouse by 10% to cure a level I triggering event. The Company subsequently amended the warehouse agreement to revise the trigger levels.

Facilities with Third Parties

The warehouse lines and repurchase facility are fully collateralized by a designated portion of the Company's retail installment contracts (Note 2), leased vehicles (Note 3), securitization notes payables and residuals retained by the Company.

Lines of Credit with Santander and Related Subsidiaries

Through its New York branch, Banco Santander provides the Company with $4,500,000 of long-term committed revolving credit facilities. Through SHUSA, under an agreement entered into on March 6, 2014, Santander provides the Company with an additional $300,000 of committed revolving credit, collateralized by residuals retained on its own securitizations. The fundings through the New York branch and through SHUSA are collectively known as the "Santander Credit Facilities."

The facilities offered through the New York branch are structured as three- and five-year floating rate facilities, with current maturity dates of December 31, 2016 and December 31, 2018, respectively. Santander has the option 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 facilities at the time of their maturity will amortize to match the maturities and expected cash flows of the corresponding collateral.
Secured Structured Financings

The following table presents information regarding secured structured financings as of September 30, 2014 and December 31, 2013:

	September 30, 2014					
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2010 Securitizations (a)	October 2016 - November 2017	$185,348	$2,634,349	1.04%-1.44%	$403,129	$95,597
2011 Securitizations	October 2015 - September 2017	511,348	3,536,550	1.21%-2.80%	811,610	121,647
2012 Securitizations	November 2017 - December 2018	2,667,792	8,023,840	0.92%-1.68%	3,416,857	341,653
2013 Securitizations	January 2019 - January 2021	3,863,220	6,689,700	0.89%-1.59%	4,727,996	343,478
2014 Securitizations	August 2018 - November 2020	4,871,772	5,859,400	1.42%-1.72%	5,535,175	328,313
Public securitizations (b)		12,099,480	26,743,839		14,894,767	1,230,688
2010 Private issuances	June 2011	190,183	516,000	1.29%	320,151	9,058
2011 Private issuances	December 2018	1,026,730	1,700,000	1.46%-1.80%	1,476,856	58,240
2012 Private issuances	May 2016	9,607	70,308	1.07%	15,198	1,450
2013 Private issuances	September 2018 - September 2020	2,166,424	2,693,754	1.13%-1.38%	2,960,515	91,402
2014 Private issuances	November 2015 - December 2021	2,951,973	3,519,049	1.05%-1.85%	4,165,753	140,007
Privately issued amortizing notes		6,344,917	8,499,111		8,938,473	300,157
Total secured structured financings		$18,444,397	$35,242,950		$23,833,240	$1,530,845

	December 31, 2013					
		Balance			Collateral	

	Original Estimated Maturity Date(s)		Initial Note Amounts Issued	Initial Weighted Average Interest Rate		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 (b)		11,415,166	24,990,898		14,256,630	1,135,881
2010 Private issuances	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 issuances	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		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 October 15, 2014, the Company executed a clean-up call on a securitization representing $87,664 of this balance.

(b) Securitizations executed under Rule 144A of the Securities Act are included within this balance.

Notes Payable — Secured Structured Financings
The principal and interest on secured structured financings are paid using the cash flows from the underlying retail installment contracts, loans and leases, which serve as collateral for the notes. Accordingly, the timing of the principal payments on these notes is dependent on the payments received on the underlying collateral.

Most of the Company's secured structured financings are in the form of public, SEC-registered securitizations. The Company also executes private securitizations under Rule 144A of the Securities Act and periodically issues private term amortizing notes, which are structured similarly to securitizations but are acquired by banks and conduits. Historically, all of the Company's securitizations and private issuances have been collateralized by vehicle retail installment contracts and loans; however, in 2013, the Company issued its first amortizing notes backed by vehicle leases. As of September 30, 2014, the Company had private issuances of notes backed by vehicle leases totaling approximately $1,346,793.
Unamortized debt issuance costs are amortized as interest expense over the terms of the related notes payable using a method that approximates the effective interest method. Amortization of premium or accretion of discount on acquired notes payable is also included in interest expense using a method that approximates the effective interest method, over the estimated remaining life of the acquired notes. Total interest expense on secured structured financings for the three months ended September 30, 2014 and 2013 was $60,700 and $58,444, respectively. Total interest expense on secured structured financings for the nine months ended September 30, 2014 and 2013 was $177,779 and $172,780, respectively.

6. Variable Interest Entities
The Company transfers retail installment contracts and leased vehicles into newly formed Trusts which then issue one or more classes of notes payable backed by the collateral. The Company's continuing involvement with these Trusts is in the form of servicing loans held by special purpose financing Trusts and, except for the Chrysler Capital securitizations, through holding a residual interest in the Trust. These transactions are structured without recourse. The Trusts are considered variable interest entities ("VIEs") under U.S. GAAP and, except for the Chrysler Capital securitizations, are consolidated because the Company has: (a) power over the significant activities of the entity as servicer of its financial assets and (b) the residual interest and in some cases debt securities held by the Company, an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company did not retain any debt or equity interests in the Chrysler Capital securitizations executed in 2013 and 2014, and recorded these transactions as sales of the associated retail installment contracts.
The Company also uses a titling trust to originate and hold its leased vehicles and the associated leases, in order to facilitate the pledging of leases to financing facilities or sale of leases to other parties without incurring the costs and administrative burden of retitling the leased vehicles. The titling trust, and each special unit of beneficial interest ("SUBI") in the titling trust, such as those formed to facilitate the transfer of leased vehicles to financing facilities or other parties, is considered a VIE.
Revolving credit facilities also utilize Trusts that are considered VIEs. The collateral, borrowings under credit facilities and securitization notes payable of the Company's consolidated VIEs remain on the consolidated balance sheets. The Company recognizes finance charges and fee income on the retail installment contracts and leased vehicles and interest expense on the debt, and records a provision for credit losses to cover probable inherent losses on the contracts. All of the Trusts are separate legal entities and the collateral and other assets held by these subsidiaries are legally owned by them and are not available to other creditors.
On-balance sheet variable interest entities
The following table summarizes the assets and liabilities related to VIEs included in the Company's consolidated financial statements:

	September 30, 2014	December 31, 2013
Restricted cash	$1,646,807	$1,370,174
Retail installment contracts, net	20,819,285	19,166,392
Leased vehicles, net	4,414,008	2,023,433
Various other assets	951,170	541,469
Notes payable	27,039,906	23,810,950
Various other liabilities	2,228	25,682

The Company retains servicing for receivables transferred to the Trusts and receives a monthly servicing fee on the outstanding principal balance. Supplemental fees, such as late charges, for servicing the receivables are reflected in fees, commissions and other income. As of September 30, 2014 and December 31, 2013, the Company was servicing $24,231,357 and $21,935,874, respectively, of gross retail installment contracts that have been transferred to consolidated Trusts. The remainder of the Company’s retail installment contracts remain unpledged.

A summary of the cash flows received from consolidated securitization trusts during the three and nine months ended September 30, 2014 and 2013, is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Receivables securitized	$3,723,447	$1,853,327	$12,090,743	$5,974,694
Net proceeds from securitizations (a)	$2,919,796	$1,642,310	$10,310,702	$5,228,770
Cash received for servicing fees	166,390	111,204	465,675	320,640
Cash received upon release from reserve and restricted cash accounts	—	2,160	810	8,385
Net distributions from Trusts	426,966	377,111	1,137,778	1,136,401
Total cash received from securitization trusts	$3,513,152	$2,132,785	$11,914,965	$6,694,196

(a) Includes additional advances on existing securitizations.

Off-balance sheet variable interest entities

During 2013 and 2014, the Company completed sales to VIEs that meet sale accounting treatment in accordance with the applicable guidance. Due to the nature, purpose, and activity of the transactions, the Company determined for consolidation purposes that it either does not hold potentially significant variable interests or is not the primary beneficiary as a result of the Company's limited further involvement with the financial assets. For such transactions, the transferred financial assets are removed from the Company's consolidated balance sheets. In certain situations, the Company remains the servicer of the financial assets and receives servicing fees that represent adequate compensation. The Company also recognizes a gain or loss for the difference between the cash proceeds and carrying value of the assets sold.

During the three and nine months ended September 30, 2014, the Company sold $1,028,278 and $1,802,461, respectively, of gross retail installment contracts to VIEs in off-balance sheet securitizations for a gain of approximately $39,060 and $71,598, respectively. As of September 30, 2014 and December 31, 2013, the Company was servicing $2,375,107 and $1,017,756, respectively, of gross retail installment contracts that have been sold in these off-balance sheet Chrysler Capital securitizations. Other than repurchases of sold assets due to standard representations and warranties, the Company has no exposure to loss as a result of its involvement with these VIEs.

A summary of the cash flows received from the off-balance securitization trusts during the three and nine months ended September 30, 2014, is as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Receivables securitized	$1,028,278	$1,802,461
Net proceeds from new securitizations	$1,078,202	$1,894,052
Cash received for servicing fees	3,925	10,897
Total cash received from securitization trusts	$1,082,127	$1,904,949

On June 27, 2014, the Company executed a bulk sale of Chrysler Capital leases with a depreciated net capitalized cost of $369,114 and a net book value of $317,275 to SBNA, an affiliate. This sale was effected through the transfer of a SUBI in SCUSA's titling trust, which was determined to be a VIE. The Company concluded that it is not the primary beneficiary of the VIE and therefore treated the transaction as a sale for accounting purposes, with the removal of the leases from the consolidated balance sheets. Proceeds from the sale were $322,851, for a total gain of $5,576. For the three and nine months ended September 30, 2014, the Company received $241 in servicing fees on these leases. The Company has no exposure to loss as a result of its involvement with the VIE.

7. Derivative Financial Instruments

Certain of the Company's interest rate swap agreements are designated as cash flow hedges for accounting purposes. The Company's remaining interest rate swap agreements, as well as its interest rate cap agreements, the corresponding options written in order to offset the interest rate cap agreements, and a total return swap, are not designated as hedges for accounting purposes. The underlying notional amounts and aggregate fair values of these agreements at September 30, 2014 and December 31, 2013, were as follows:

	September 30, 2014		December 31, 2013	
	Notional	Fair Value	Notional	Fair Value
Interest rate swap agreements designated as cash flow hedges	$7,053,000	$5,754	$3,873,000	$(5,686)
Interest rate swap agreements not designated as hedges	2,878,574	(14,805)	3,444,459	(31,360)
Interest rate cap agreements	7,248,483	60,525	4,616,960	28,274
Options for interest rate cap agreements	7,248,483	(60,580)	4,616,960	(28,389)
Total return swap	250,594	(494)	—	—

The aggregate fair value of the interest rate swap agreements was included on the Company's consolidated balance sheets in other assets and other liabilities, as appropriate. The interest rate cap agreements were included in other assets and the related options in other liabilities on the Company's consolidated balance sheets.

In March 2014, the Company entered into a financing arrangement with a third party whereby the Company pledged certain bonds retained in its own securitizations in exchange for approximately $250,594 in cash. In conjunction with the financing arrangement, the Company entered into a total return swap related to the bonds as an effective avenue to monetize the Company's retained bonds as a source of financing. The Company will receive the fixed return on the bonds in exchange for paying a variable rate of three-month LIBOR plus 75 basis points. In addition, at maturity, the Company will receive a payment from, or make a payment to, the counterparty based on the change in fair value of the bonds during the one-year term of the facility. Throughout the term of the facility, the party in a net liability position must post collateral. The Company has the ability to substitute collateral and may do so if a bond is set to begin amortizing. Alternatively, the amortization may be utilized to reduce the notional amount of the facility.

The Company enters into legally enforceable master netting agreements that reduce risk by permitting netting of transactions, such as derivatives and collateral posting, with the same counterparty on the occurrence of certain events. A master netting agreement allows two counterparties the ability to net-settle amounts under all contracts, including any related collateral posted, through a single payment. The right to offset and certain terms regarding the collateral

process, such as valuation, credit events and settlement, are contained in International Swaps and Derivative Association ("ISDA") master agreements.
Information on the offsetting of derivative assets and derivative liabilities due to the right of offset was as follows, as of September 30, 2014 and December 31, 2013:

Offsetting of Financial Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2014						
Interest rate swaps - Santander & affiliates	$9,342		$ 9,342	$—	$—	$9,342
Interest rate caps - Santander & affiliates	45,530		45,530	—	—	45,530
Interest rate caps - third party	14,995		14,995	—	—	14,995
Total derivatives subject to a master netting arrangement or similar arrangement	69,867		69,867	—	—	69,867
Total derivatives not subject to a master netting arrangement or similar arrangement	—		—	—	—	—
Total derivative assets	$69,867		$ 69,867	$—	$—	$69,867
Total financial assets	$69,867		$ 69,867	$—	$—	$69,867
December 31, 2013						
Interest rate swaps - Santander & affiliates	$1,601	$—	$ 1,601	$—	$—	$1,601
Interest rate caps - Santander & affiliates	9,342	—	9,342	—	—	9,342
Interest rate caps - third party	18,932	—	18,932	—	—	18,932
Total derivatives subject to a master netting arrangement or similar arrangement	29,875	—	29,875	—	—	29,875
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative assets	$29,875	$—	$ 29,875	$—	$—	$29,875
Total financial assets	$29,875	$—	$ 29,875	$—	$—	$29,875

Offsetting of Financial Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Cash Collateral Pledged	Net Amount
September 30, 2014						
Interest rate swaps - Santander & affiliates	$17,074	$ (1,709)	$ 15,365	$—	$—	$15,365
Interest rate swaps - third party	1,320	(1,320)	$ —			$—
Back to back - Santander & affiliates	45,530	(45,530)	$ —	$—	$—	$—
Back to back - third party	15,050	(15,050)	—	—	—	—
Total derivatives subject to a master netting arrangement or similar arrangement	78,974	(63,609)	15,365	—	—	15,365
Total return swap	494	—	494	—	—	494
Total derivatives not subject to a master netting arrangement or similar arrangement	494	—	494	—	—	494
Total derivative liabilities	$79,468	$ (63,609)	$ 15,859	$—	$—	$15,859
Total financial liabilities	$79,468	$ (63,609)	$ 15,859	$—	$—	$15,859
December 31, 2013						
Interest rate swaps - Santander & affiliates	$38,647	$ (2,258)	$ 36,389	$—	$—	$36,389
Back to back - Santander & affiliates	9,342	(9,342)	—	—	—	—
Back to back - third party	19,047	(15,420)	3,627	—	—	3,627
Total derivatives subject to a master netting arrangement or similar arrangement	67,036	(27,020)	40,016	—	—	40,016
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative liabilities	$67,036	$ (27,020)	$ 40,016	$—	$—	$40,016
Total financial liabilities	$67,036	$ (27,020)	$ 40,016	$—	$—	$40,016

The Company is the holder of a warrant that gives it the right, if certain vesting conditions are satisfied, to purchase additional shares in a company in which it has a cost method investment. This warrant was issued in 2012 and is carried at its estimated fair value of zero at September 30, 2014 and December 31, 2013.

The gross gains (losses) reclassified from accumulated other comprehensive income to net income, and gains (losses) recognized in net income, are included as components of interest expense. The Company's interest rate swap agreements had effects on its consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2014 and 2013 as follows:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income to Interest Expense	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$(383)	$12,822	$ (906)	$—	$(3,577)	$(5,342)
Derivative instruments not designated as hedges	$8,227			$(978)		

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income To Interest Expense	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$(292)	$6,230	$ (5,501)	$—	$(5,237)	$ (14,781)
Derivative instruments not designated as hedges	$16,615			$16,361		

The ineffectiveness related to the interest rate swap agreements designated as cash flow hedges was insignificant for the nine months ended September 30, 2014 and 2013.

8. Other Assets

Other assets were comprised as follows:

	September 30, 2014	December 31, 2013
Upfront fee (a)	$128,750	$140,000
Inventory of repossessed vehicles	138,345	129,323
Manufacturer subvention payments receivable (a)	85,054	55,579
Derivative assets (Note 7)	69,867	29,875
Indemnification payments receivable (b)	5,504	8,603

Other	100,500	46,925
	$528,020	$410,305

(a) These amounts relate to the Chrysler Agreement. The Company paid a $150,000 upfront fee upon the May 2013 inception of the agreement. The fee is being amortized into finance and other interest income over a ten-year term. As the preferred financing provider for Chrysler, the Company is entitled to subvention payments on loans and leases with below-market customer payments.

(b) This amount represents tax indemnification payments to the original equity investors in two investment partnerships now owned by the Company. These payments are expected to be recovered through tax refunds passed through to the Company as the original investors recognize tax losses related to the investments.

9. Income Taxes

The Company recorded income tax expense of $90,397 (32.1% effective tax rate) and $282,081 (35.2% effective tax rate) during the three and nine months ended September 30, 2014, respectively. The Company recorded income tax expense of $65,486 (36.9% effective tax rate) and $322,413 (35.7% effective tax rate) during the three and nine months ended September 30, 2013, respectively. The decrease in effective tax rate year over year is primarily due to the release of reserves for uncertain tax positions and an increase in electric vehicle tax credits.

Significant judgment is required in evaluating and reserving for uncertain tax positions. Although management believes adequate reserves have been established for all uncertain tax positions, the final outcomes of these matters may differ. Management does not believe the outcome of any uncertain tax position, individually or combined, will have a material effect on the results of operations. The reserve for uncertain tax positions, as well as associated penalties and interest, are a component of the income tax provision.

10. Commitments and Contingencies

In connection with the sale of retail installment contracts through securitizations and other sales, the Company has made standard representations and warranties customary to the consumer finance industry. Violations of these representations and warranties may require the Company to repurchase loans previously sold to on- or off-balance sheet trusts or other third parties. As of September 30, 2014, the Company had no repurchase requests outstanding. In the opinion of management, the potential exposure of other recourse obligations related to the Company’s retail installment contract sales agreements will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or cash flows.

The Company has a letter of credit facility with Santander — New York Branch totaling $500,000 at September 30, 2014 and December 31, 2013. The amount issued was zero as of September 30, 2014 and December 31, 2013. The letters of credit can serve as collateral for certain warehouse lines. These commitments will expire on December 31, 2014.

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

The Company committed to purchase certain new advances on unsecured revolving financings originated by a third party retailer, along with existing balances on accounts with new advances, for an initial term ending on April 2020 and renewing through April 2022 at the retailer's option. The Company also is required to make a profit-sharing payment to the retailer each month.

Under terms of the agreement with Chrysler, the Company must make revenue sharing payments to Chrysler and also must make gain-sharing payments when residual gains on leased vehicles exceed a specified threshold.

Under terms of an application transfer agreement with another original equipment manufacturer ("OEM"), the Company has the first opportunity to review for its own portfolio any credit applications turned down by the OEM's captive finance company. The agreement does not require the Company to originate any loans, but for each loan originated the Company will pay the OEM a referral fee, comprised of a volume bonus fee and a loss betterment bonus fee. The loss betterment bonus fee will be calculated annually and is based on the amount by which losses on loans originated under the agreement are lower than an established percentage threshold.

The Company is obligated to make purchase price holdback payments to a third party originator of loans that it purchases on a periodic basis, when losses are lower than originally expected.

The Company has a flow agreement with Bank of America whereby the Company is committed to sell up to $300,000 of eligible loans to the bank each month through May 2018. The Company retains servicing on all sold loans and may receive or pay a servicer performance payment based on an agreed-upon formula if performance on the sold loans is better or worse, respectively, than expected performance at time of sale. As of September 30, 2014, the Company was obligated to repurchase $17,145 in loans sold to Bank of America under standard representations and warranties due to the loans not meeting Bank of America's collateral requirements.

The Company has sold loans to Citizens Bank of Pennsylvania ("CBP") in 2014 under terms of a flow agreement and predecessor sale agreements. The Company retains servicing on the sold loans and will owe CBP a loss-sharing payment capped at 0.5% of the original pool balance if losses exceed a specified threshold, established on a pool-by-pool basis.
As of September 30, 2014, the Company had an agreement with SBNA, a subsidiary of SHUSA, whereby the Company provided SBNA with the first right to review and assess Chrysler dealer lending opportunities and, if SBNA elected, to provide the proposed financing. The Company provided servicing on all loans originated under this arrangement. The Company received a $9,000 referral fee in June 2013 in connection with this arrangement and was amortizing the fee into income over the ten-year term of agreement. As of September 30, 2014 and December 31, 2013, the unamortized fee balance was $7,875 and $8,550, respectively. The Company also received or made a servicer performance payment if it yielded returns, net of credit losses, on the loans that were higher or lower, respectively, than expected at origination. As of September 30, 2014 and December 31, 2013, the Company serviced $595,414 and $202,494 of loans that had been originated under this agreement. Effective October 1, 2014, this agreement was terminated and replaced with a revised arrangement. See Note 11 for further detail.
The Company also provides SBNA with the first right to review and approve consumer vehicle lease applications, subject to volume constraints. The Company has indemnified SBNA for potential credit and residual losses on $48,226 of leases that had been originated by SBNA under this program but were subsequently determined not to meet SBNA’s underwriting requirements. This indemnification agreement is supported by an equal amount of cash collateral posted by the Company in an SBNA bank account. The collateral account balance is included in restricted cash in the Company's condensed consolidated balance sheets.
The Company also has agreements with SBNA to service recreational and marine vehicle portfolios. These agreements call for a periodic retroactive adjustment, based on cumulative return performance, of the servicing fee rate to inception of the contract. There was no adjustment for the three months ended September 30, 2014 or 2013, and adjustments for the nine months ended September 30, 2014 and 2013 totaled a net upward adjustment of $1,329 and zero, respectively.
Under terms of agreements with a peer-to-peer unsecured lending platform company, the Company has committed to purchase at least the lesser of $30,000 per month or 75% of the lending platform company’s near-prime originations through July 2015, and the lesser of $30,000 per month or 50% of the lending platform company’s near-prime originations thereafter through July 2017. This commitment can be reduced or canceled with 90 days’ notice.

Periodically, the Company is party to or otherwise involved in various lawsuits and other legal proceedings that arise in the ordinary course of business. On August 26, 2014, a purported securities class action lawsuit was filed in the United States District Court, Southern District of New York. On October 6, 2014, another purported securities class action lawsuit was filed in the District Court of Dallas County, Texas and was subsequently removed to the United States District Court, Northern District of Texas. Both lawsuits were filed against the Company, certain of its current and former directors and executive officers and certain institutions that served as underwriters in the initial public offering. Each lawsuit was brought by a purported stockholder of the Company seeking to represent a class consisting of all those who purchased or otherwise acquired securities pursuant and/or traceable to SCUSA's Registration Statement and Prospectus issued in connection with the initial public offering. Each complaint alleges that the Registration Statement and Prospectus contained misleading statements concerning the Company’s auto lending business and underwriting practices. Each lawsuit asserts claims under Section 11 and Section 15 of the Securities Act of 1933 and seeks damages and other relief.

Further, the Company is party to or are otherwise involved periodically in reviews, investigations, and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the Federal Reserve, the CFPB, the Department of Justice (“DOJ”), the Commission, the FTC and various state regulatory agencies. Currently, such proceedings include a civil subpoena from the Department of Justice under The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“FIRREA”) requesting the production of documents and communications that, among other things, relate to the underwriting and securitization of nonprime

auto loans since 2007. Additionally, on October 28, 2014, the Company received a preservation letter and request for documents from the Commission requesting the preservation and production of documents and communications that, among other things, relate to the underwriting and securitization of auto loans since January 1, 2011. The Company also has received civil subpoenas from various state Attorneys General requesting similar documents and

communications. The Company is in the process of complying with the requests for information and document preservation.

The Company does not believe that there are any proceedings, threatened or pending, that, if determined adversely, would have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company.

11. Related-Party Transactions

Related-party transactions not otherwise disclosed in these footnotes to the consolidated financial statements include the following:

Interest expense, including unused fees, for affiliate lines/letters of credit for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Line of credit agreement with Santander - New York Branch	$21,408	$ 23,375	$68,991	$ 43,826
Line of credit agreement with SHUSA	1,339	—	3,001	—
Letter of credit facility with Santander - New York Branch	128	128	379	398

Accrued interest for affiliate lines/letters of credit at September 30, 2014 and December 31, 2013, were comprised as follows:

	September 30, 2014	December 31, 2013
Line of credit agreement with Santander - New York Branch	$ 7,070	$11,435
Line of credit agreement with SHUSA	227	—
Letter of credit facility with Santander - New York Branch	128	128

The Company has derivative financial instruments with Santander and affiliates with outstanding notional amounts of $16,798,539 and $10,461,378 at September 30, 2014 and December 31, 2013, respectively (Note 7). Interest expense on these agreements includes amounts totaling $8,002 and $15,432 for the three months ended September 30, 2014 and 2013, respectively, and $29,585 and $20,255 for the nine months ended September 30, 2014 and 2013, respectively.

For the three and nine months ended September 30, 2013, the Company sold approximately $204,782 of the Company's receivables from dealers to SBNA. For the three and nine months ended September 30, 2014, the Company sold $18,227 of receivables from dealers to SBNA for a net gain of $347. Until October 1, 2014, the Company continued to service dealer loans it had sold to SBNA but the loans were not subject to the servicer performance payment that applied to dealer loans originated under the SBNA flow agreement, described in Note 10. Servicing fee income recognized on receivables from dealers sold to SBNA or originated by SBNA totaled $2,897 and $247 for the three months ended September 30, 2014 and 2013, respectively, and $7,195 and $247 for the nine months ended September 30, 2014 and 2013, respectively, including $1,209 and $9 for the three months ended September 30, 2014 and 2013, respectively and $2,932 and $9 for the nine months ended September 30, 2014 and 2013, respectively, in servicer performance payments.

Other information on the dealer loan portfolio serviced for SBNA as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
Total serviced portfolio	$877,786	$513,684
Cash collections due to owner	12,009	6,941
Loan fundings due from owner	5,736	—
Servicing fees receivable	945	817

Effective October 1, 2014, the servicing of all Chrysler Capital receivables from dealers, including receivables held by SBNA and by SCUSA, was transferred to SBNA. The agreements executed in connection with this transfer require SCUSA to permit SBNA first right to review and assess Chrysler Capital dealer lending opportunities and require SBNA to pay SCUSA a Relationship Management Fee based upon the performance and yields of Chrysler Capital dealer loans held by SBNA. The remaining balance of the referral fee SBNA paid to SCUSA in connection with the original sourcing and servicing agreement is now considered a referral fee in connection with the new agreements, and will continue to be amortized into income through the July 1, 2022 termination date of the new agreements.

The Company also has agreements with SBNA to service auto retail installment contracts and recreational and marine vehicle portfolios. Servicing fee income recognized under these agreements totaled $2,217 and $5,127 for the three months ended September 30, 2014 and 2013, respectively, and $8,866 and $16,705 for the nine months ended September 30, 2014 and 2013, respectively. Other information on the serviced auto loan and retail installment contract portfolios for SBNA as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
Total serviced portfolio	$950,325	$1,175,566
Cash collections due to owner	25,461	32,831
Servicing fees receivable (refundable)	2,290	(3,163)

During 2014, the Company entered into a flow agreement with SBNA whereby SBNA has the first right to review and approve Chrysler Capital consumer vehicle lease applications. SCUSA may review any applications declined by SBNA for the Company's own portfolio. The Company provides servicing and receives an origination fee on all leases originated under this agreement.

On June 27, 2014, the Company executed a bulk sale of Chrysler Capital leases with a depreciated net capitalized cost of $369,114 and a net book value of $317,275 in Chrysler Capital leases to SBNA. This sale was effected through the transfer of a SUBI in SCUSA's titling trust. Proceeds from the sale were $322,851, for a total gain of $5,576. SCUSA retained servicing on the sold leases.

Combined origination and servicing fee income recognized on leases originated and serviced for SBNA totaled $6,432 and $17,683, respectively, for the three and nine months ended September 30, 2014. Other information on the consumer vehicle lease portfolio serviced for SBNA as of September 30, 2014 is as follows:

	September 30, 2014
Total serviced portfolio	$1,491,395
Cash collections due to owner	2,059
Origination and servicing fees receivable	11,602

On June 30, 2014, the Company entered into an indemnification agreement with SBNA whereby SCUSA indemnifies SBNA for any credit or residual losses on a pool of $48,226 in leases originated under the flow agreement. The covered leases are non-conforming units because they did not meet SBNA's credit criteria at origination. At time of the agreement, SCUSA established a $48,226 collateral account with SBNA in restricted cash that will be released over time to SBNA, in the case of losses, and SCUSA, in the case of payments and sale proceeds. During the third quarter, the parties identified that $6,985 of the collateral was related to manufacturing subvention that would be subsequently

provided from Chrysler and as such, released this balance to unrestricted cash. As of September 30, 2014 the balance in the collateral account was $41,241.

Produban Servicios Informaticos Generales S.L., a Santander affiliate, is under contract with the Company to provide professional services, telecommunications, and internal and/or external applications. Expenses incurred, which are included as a component of data processing, communications and other expenses, totaled $0 and $35 for the three months ended September 30, 2014 and 2013, and $75 and $110 for the nine months ended September 30, 2014 and 2013.

During the three and nine months ended September 30, 2014, the Company originated $3,237 and $6,148, respectively, in unsecured revolving loans under terms of a Master Service Agreement ("MSA") with a company in which it has a cost method investment and holds a warrant to increase its ownership if certain vesting conditions are satisfied. The MSA enables SCUSA to review credit applications of retail store customers.

The Company paid expenses totaling $21 and $499, respectively, for the three and nine months ended September 30, 2013, on behalf of the former managing member of the investment partnerships described in Note 8. The former managing member is an investor in Auto Finance Holdings. The Company has paid no expenses on behalf of this former managing member in 2014.

The Company paid certain expenses incurred by the Company's Chairman and CEO in the operation of a private plane in which he owns a partial interest when used for SCUSA business within the contiguous 48 states. Under this practice, payment is based on a set flight time hourly rate, and the amount of our reimbursement is not subject to a maximum cap per fiscal year. For the three and nine months ended September 30, 2014, the Company paid $115 and $529, respectively, to Meregrass Company, Inc., the company managing the plane's operations, with an average rate of $5.8 per hour.

The following members of management have a minority equity investment in a property in which the Company leases 373,000 square feet as its corporate headquarters: Chairman and CEO, President and Chief Financial Officer, and a member of the Board of Directors who is also a Santander employee. Per the rental agreement, the Company is not required to pay base rent until February 2015. Future minimum lease payments for the 12 year term of the lease total approximately $83,555.

12. Computation of Basic and Diluted Earnings per Common Share

Earnings per common share is computed using the two-class method required for participating securities. Restricted stock awards are considered to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of a declaration of a dividend on the Company's common shares.

1,731,329 and 1,539,861 employee stock option awards are excluded from the calculation of earnings per share for the three and nine months ended September 30, 2014, respectively, as the effect would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Earnings per common share				
Net income attributable to SCUSA shareholders	$191,369	$111,245	$519,316	$583,565
Weighted average number of common shares outstanding before restricted participating shares (in thousands)	348,372	346,172	348,047	346,170
Weighted average number of participating restricted common shares outstanding (in thousands)	584	—	584	—
Weighted average number of common shares outstanding (in thousands)	348,956	346,172	348,631	346,170
Earnings per common share	$0.55	$0.32	$1.49	$1.69
Earnings per common share - assuming dilution				
Net income attributable to SCUSA shareholders	$191,369	$111,245	$519,316	$583,565
Weighted average number of common shares outstanding (in thousands)	348,956	346,172	348,631	346,170
Effect of employee stock-based awards (in thousands)	6,966	—	7,179	—
Weighted average number of common shares outstanding - assuming dilution (in thousands)	355,922	346,172	355,810	346,170
Earnings per common share - assuming dilution	$0.54	$0.32	$1.46	$1.69

13. Fair Value of Financial Instruments

Fair value estimates, methods, and assumptions are as follows:

	Level	September 30, 2014		December 31, 2013	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents (a)	1	$43,889	$43,889	$10,531	$10,531
Receivables held for sale (b)	2	91,153	91,153	82,503	83,344
Retail installment contracts held for investment, net (c)	3	21,319,080	21,940,248	20,219,609	21,465,236
Unsecured consumer loans, net (d)	3	1,340,283	1,369,459	954,189	1,187,286
Receivables from dealers held for investment (e)	3	97,178	97,178	94,745	94,745
Restricted cash (a)	1	1,989,434	1,989,434	1,563,613	1,563,613
Notes payable — credit facilities (f)	3	8,390,080	8,390,080	8,099,773	8,099,773
Notes payable — secured structured financings (g)	2	18,444,397	18,551,552	15,195,887	15,565,013

(a) Cash and cash equivalents and restricted cash — The carrying amount of cash and cash equivalents, including restricted cash, is at an approximated fair value as the instruments mature within 90 days or less and bear interest at market rates.

(b) Receivables held for sale — Receivables held for sale are carried at the lower of cost or market, as determined on an aggregate basis. The estimated fair value is based on the prices obtained or expected to be obtained in the

subsequent sales usually in the following month.

(c) Retail installment contracts held for investment — Retail installment contracts held for investment are carried at amortized cost, net of loan loss allowance. The estimated fair value is calculated based on estimated market rates for similar contracts with similar credit risks.

(d) Unsecured consumer loans, net — Unsecured consumer loans are carried at amortized cost, net of loan loss allowance. Carrying value approximates fair value for unsecured revolving loans as the loans are short term in duration, do not have a defined maturity date and/or are at a market-based interest rate. For unsecured amortizing loans, the estimated fair value is calculated based on estimated market rates for similar loans with similar credit risks.

(e) Receivables from dealers, held for investment, net — Receivables from dealers held for investment are carried at amortized cost, net of loan loss allowance. The estimated fair value is calculated based on estimated market rates for similar receivables with similar credit risks.

(f) Notes payable — credit facilities — The carrying amount of notes payable related to revolving credit facilities is estimated to approximate fair value. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements.

(g) Notes payable — secured structured financings — The estimated fair value of notes payable related to secured structured financings is calculated based on market quotes for the Company's publicly traded debt and estimated market rates currently available from recent transactions involving similar debt with similar credit risks.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013, and are categorized using the fair value hierarchy. The fair value hierarchy includes three levels based on the reliability of the inputs used to determine the fair value:

	Fair Value Measurements at September 30, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — trading interest rate caps (a)	$60,525	$—	$60,525	$—
Assets — cash flow hedging interest rate swaps (a)	8,257	—	8,257	—
Assets — trading interest rate swaps (a)	1,085	—	1,085	—
Liabilities — trading options for interest rate caps (a)	60,580	—	60,580	—
Liabilities — cash flow hedging interest rate swaps (a)	2,503	—	2,503	—
Liabilities — trading interest rate swaps (a)	15,890	—	15,890	—
Total return swap (b)	494	—	494	—

	Fair Value Measurements at December 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — trading interest rate caps (a)	$28,274	$—	$28,274	$—
Assets — cash flow hedging interest rate swaps (a)	1,601	—	1,601	—
Liabilities — trading options for interest rate caps (a)	28,389	—	28,389	—
Liabilities — cash flow hedging interest rate swaps (a)	7,287	—	7,287	—
Liabilities — trading interest rate swaps (a)	31,360	—	31,360	—

(a)

The valuation of swaps and caps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurement of its derivatives. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings and guarantees. The Company utilizes the exception in ASC 820-10-35-18D (commonly referred to as the "portfolio exception") with respect to measuring counterparty credit risk for instruments (Note 7).

(b) The total return swap is valued based on the estimated market value of the underlying bonds pledged to the associated credit facility.

No amounts were transferred in or out of Level 3 during 2014 or 2013.

The following table presents the Company's assets and liabilities that are measured at fair value on a nonrecurring basis at September 30, 2014 and December 31, 2013, and are categorized using the fair value hierarchy:

	Fair Value Measurements at September 30, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — repossessed vehicle inventory	$138,345	$—	$138,345	$—

	Fair Value Measurements at December 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — repossessed vehicle inventory	$129,323	$—	$129,323	$—

The Company estimates the fair value of its repossessed vehicle inventory using historical auction rates and current market levels of used car prices.

14. Employee Benefit Plans

SCUSA Compensation Plan — Beginning in 2012, the Company granted stock options to certain executives, other employees, and independent directors under its 2011 Management Equity Plan (the "Plan"). The Plan is administered by the Board of Directors (the Board) and enables the Company to make stock awards up to a total of approximately 29 million common shares (net of shares canceled and forfeited), or 8.5% of the equity invested in the Company as of December 31, 2011.

Stock options granted have an exercise price based on the estimated fair market value of the Company's common stock on the grant date. The stock options expire after ten years and include both time vesting options and performance vesting options. The fair value of the stock options is amortized into income over the vesting period as time and performance vesting conditions are met. Under the Management Shareholder Agreement entered into by certain employees, no shares obtained through exercise of stock options could be transferred until the later of December 31, 2016, and the Company's execution of an initial public offering ("IPO") (the later date of which is referred to as the Lapse Date). Until the Lapse Date, if an employee were to leave the Company, the Company would have the right to repurchase any or all of the stock obtained by the employee through option exercise. If the employee were terminated for cause (as defined in the Plan) or voluntarily left the Company without good reason (as defined in the Plan), in each case, prior to the Lapse Date the repurchase price would be the lower of the strike price or fair market value at the date of repurchase. If the employee were terminated without cause or voluntarily left the Company with good reason, in each case, prior to the Lapse Date the repurchase price is the fair market value at the date of repurchase. Management believes the Company's repurchase right caused the IPO event to constitute an implicit vesting condition and therefore did not record any stock compensation expense until the date of the IPO.

On December 28, 2013, the Board approved certain changes to the Plan and the Management Shareholders Agreement, including acceleration of vesting for certain employees, removal of transfer restrictions for shares underlying a portion of the options outstanding under the Plan, and addition of transfer restrictions for shares underlying another portion of the outstanding options. All of the changes were contingent on, and effective upon, the Company's execution of an IPO and, as such, became effective upon pricing of the IPO on January 22, 2014. Also on December 28, 2013, the Board established the Omnibus Incentive Plan, which enables the Company to grant awards

of nonqualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units and other awards that may be settled in or based upon the value of the Company's common stock up to a total of 5,192,640 common shares. As of September 30, 2014, the Company had granted 583,890 shares of restricted stock to certain executives under terms of the Omnibus Incentive Plan. Compensation expense related to this restricted stock is recognized over a five-year vesting period, with $637 and $1,853 recorded for the three and nine months ended September 30, 2014.

On January 23, 2014, the Company executed an IPO, in which selling stockholders offered and sold to the public 85,242,042 shares of common stock at a price of $24.00 per share. The Company received no proceeds from the initial public offering. Stock-based compensation expense totaling $117,770 related to vested options was recognized upon the IPO, including expense related to accelerated vesting for certain executives of $33,845. Also in connection with the IPO, the Company granted additional stock options under the Plan to certain executives, other employees, and an independent director with an estimated fair value of $10,216, which is being recognized over the awards' vesting period of five years for the employees and three years for the director. Additional stock option grants have been made during the nine months ended September 30, 2014 to employees and independent directors; the estimated fair value associated with these additional grants is $2,603.

A summary of the Company’s stock options and related activity as of and for the nine months ended September 30, 2014 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	(in whole dollars)			
Options outstanding at January 1, 2014	23,910,062	$9.81	8.0	
Granted	1,731,329	23.50		
Exercised	(3,061,539)	9.62		(44,572)
Expired	—			
Forfeited	(1,061,230)	12.27		
Options outstanding at September 30, 2014	21,518,622	10.82	7.4	150,511
Options exercisable at September 30, 2014	15,528,012	9.86	7.3	123,372

15. Shareholders' Equity

Treasury Stock

The Company has 3,154 shares of treasury stock outstanding as of September 30, 2014 and December 31, 2013, respectively. Prior to the IPO, the Company repurchased the shares as a result of an employee leaving the company. The value of the treasury stock is immaterial and included within additional paid-in-capital.

Accumulated Other Comprehensive Loss

A summary of changes in accumulated other comprehensive income (loss), net of tax, for the three and nine months ended September 30, 2014 and 2013 is as follows:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total
Beginning balance	$(4,129)	$—	$(4,129)	$(7,582)	$630	$(6,952)
Other comprehensive income (loss) before reclassifications	8,115	—	8,115	(2,385)	(468)	(2,853)
Amounts reclassified out of accumulated other comprehensive income (loss) (b)	570	—	570	3,372	(162)	3,210

Ending balance	$4,556	$—	$4,556	$(6,595)	$—	$(6,595)

(a) Amounts in this table are net of tax
(b) Amounts reclassified out of accumulated other comprehensive income (loss) consist of the following:

Reclassification	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	Amount reclassified	Income statement line item	Amount reclassified	Income statement line item
Cash flow hedges:				
Settlements of derivatives	$906	Interest expense	$5,342	Interest expense
Tax expense (benefit)	(336)		(1,970)	
Net of tax	$570		$3,372	
Investments available for sale:				
Discount accretion	$—		$(257)	Interest expense
Tax expense (benefit)	—		95	
Net of tax	$—		$(162)	

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total
Beginning balance	$(2,853)		$(2,853)	$(12,416)	$3,252	$(9,164)
Other comprehensive income (loss) before reclassifications	3,949	—	3,949	(3,508)	(2,490)	(5,998)
Amounts reclassified out of accumulated other comprehensive income (loss) (b)	3,460	—	3,460	9,329	(762)	8,567
Ending balance	$4,556	$—	$4,556	$(6,595)	$—	$(6,595)

(a) Amounts in this table are net of tax

(b) Amounts reclassified out of accumulated other comprehensive income (loss) consist of the following:

Reclassification	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Amount reclassified	Income statement line item	Amount reclassified	Income statement line item
Cash flow hedges:				
Settlements of derivatives	$5,501	Interest expense	$14,781	Interest expense
Tax expense (benefit)	(2,041)		(5,452)	
Net of tax	$3,460		$9,329	
Investments available for sale:				
Discount accretion	$—		$(1,208)	Interest expense

Tax expense (benefit)	—	446
Net of tax	$—	$(762)

Item 2. 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 Chrysler Agreement, through September 30, 2014, 33% 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, 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 and leases 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 $32 billion of ABS from 2010 through the third quarter of 2014, and we have been the largest issuer of retail auto ABS since 2011. We have significant bank funding relationships, with third-party banks and Santander currently providing approximately $17.6 billion and $4.8 billion, respectively, in committed financing. In addition, we have flow agreements in place with Bank of America, Citizens Bank of Pennsylvania (a subsidiary of RBS Citizens Financial Group) and SBNA to fund a portion of our 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, and 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.

Economic and Business Environment

Consistent with indicators throughout 2013, the U.S. economy continued its slow-paced recovery during the first nine months of 2014. According to the Bureau of Labor Statistics, unemployment declined from 6.7% at the beginning of the year to 5.9% for September. The Federal Reserve continues to taper its bond purchases. Vehicle sales as of September are on pace to total over 16 million for the year. After experiencing higher prices at the beginning of the year, wholesale used vehicle prices have returned to levels seen in recent years.

Regulatory Matters

The U.S. lending industry is highly regulated under various U.S. federal laws, including the Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practices, Servicemembers Civil Relief, and Unfair, Deceptive, or Abusive Acts or Practices, Credit CARD, Telephone Consumer Protection, Financial Institutions Reform, Recovery and Enforcement ("FIRREA"), and Gramm-Leach-Bliley Acts, as well as various state laws. We are subject to inspections, examinations, supervision, and regulation by the Commission, the CFPB, the Federal Trade Commission ("FTC") and by regulatory agencies in each state in which we are licensed. In addition, we are subject to certain bank regulations, including oversight by the OCC, the Bank of Spain, and the Federal Reserve, which has the ability to limit certain of our activities, such as the timing and amount of dividends and certain transactions that we might otherwise desire to enter into, such as merger and acquisition opportunities, or to impose other limitations on our growth.

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. For example, the Company began clearing its applicable interest rate swaps on a regulated exchange in order

to maintain compliance with the Dodd-Frank Act.
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

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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. On July 23, 2014, an automotive finance industry publication reported on complaints related to automotive finance institutions filed with the CFPB over the first half of 2014 as compared to prior year. We believe the rise in CFPB complaints for the Company over the last year is attributable to portfolio growth, inclusion of our entire serviced portfolio (on- and off-balance sheet) and consumer credit quality. The Company logs and investigates all complaints, and tracks each complaint until it is resolved or otherwise settled.

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.

The Dodd-Frank Act also included risk retention requirements. On October 22, 2014, six federal agencies approved a final rule implementing these requirements. The rule, which will become effective in October 2015, generally requires sponsors of asset-backed securities (ABS) to retain not less than five percent of the credit risk of the assets collateralizing the ABS issuance. The rule also sets forth prohibitions on transferring or hedging the credit risk that the sponsor is required to retain. The final rule also does not require any retention for securitizations of commercial loans, commercial mortgages, or automobile loans if they meet specific standards for high quality underwriting.

Dividend Restrictions

Dodd-Frank also requires certain banks and bank holding companies, including SHUSA, to perform a stress test and submit a capital plan to the Federal Reserve on an annual basis. On March 26, 2014, the Federal Reserve Bank of Boston (the "FRB") informed SHUSA that, based on qualitative concerns, the FRB objected to SHUSA's capital plan (the "capital plan") pursuant to the Comprehensive Capital Analysis and Review ("CCAR") SHUSA had previously submitted to the FRB. On May 1, 2014, the Company's Board of Directors (the "Board") declared a dividend of $0.15 per share of SCUSA common stock, payable on May 30, 2014 to shareholders of record on May 12, 2014 (the "May Dividend").

The FRB informed SHUSA on May 22, 2014 that it did not object to SCUSA's payment of the May Dividend, provided that Santander contribute at least $20.9 million of capital to SHUSA prior to such payment, so that SHUSA's consolidated capital position would be unaffected by the May Dividend. The FRB also informed SHUSA that, until the FRB issues a written non-objection to SHUSA's capital plan, any future Company dividend will require prior receipt of a written non-objection from the FRB.

On May 30, 2014, Santander provided $21.0 million of additional capital to SHUSA and the Company paid the May Dividend. The Company will not pay any future dividends until such time as SHUSA has submitted to the FRB a capital plan and the FRB issues a written non-objection to such plan or the FRB otherwise issues its written non-objection to the payment of a dividend by the Company. SHUSA has informed the Company that SHUSA does not currently expect to submit a revised capital plan to the FRB until January 2015, subject to the FRB's approval. In addition, on September 15, 2014, SHUSA entered into a written agreement with the FRB memorializing prior discussions under which, among other things, SHUSA is prohibited from allowing its non-wholly-owned nonbank subsidiaries, including the Company, to declare or pay any dividend, or to make any capital distribution, without the prior written approval of the FRB.

Regulation AB II

In response to investor requests for greater transparency, on August 27, 2014, the SEC unanimously voted to adopt final rules known as "Regulation AB II," that, among other things, expanded disclosure requirements and modified the offering and shelf

registration process. All Forms 10-D or10-K that are filed after November 23, 2015 must comply with new rules and disclosures, except asset level disclosures. This will affect the Company's public securitization platform.
Additionally, on August 27, 2014, the SEC adopted final rules (the “Final Rules”) implementing provisions of the Dodd-Frank Act relating to third-party due diligence reports for asset-backed securities. The Final Rules take effect nine months after they are published in the Federal Register (i.e., June 2015). These Final Rules have a wider impact on SCUSA than Regulation AB II as it will cover both the on- and off-balance sheet securitization platforms.
Additional legal and regulatory matters affecting the Company’s activities are further discussed in part II, Item 1A—Risk Factors.
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.

SCUSA does not have any activities, transactions, or dealings with Iran or Syria that require disclosure. 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 quarterly report:

- Santander UK entity holds frozen savings and current accounts for three customers resident in the U.K. who are currently designated by the U.S. for terrorism. The accounts held by each customer were blocked after the customer's designation and have remained blocked and dormant for the nine months ended September 30, 2014. No revenue has been generated by Santander UK on these accounts.

- An Iranian national, resident in the U.K., who is currently designated by the U.S. under the Iranian Financial Sanctions Regulations and the NPWMD designation, holds 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 the nine months ended September 30, 2014, total revenue in connection with this mortgage was approximately £1,800, 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 have remained frozen for the nine months ended September 30, 2014. The investment returns are being automatically reinvested, and no disbursements have been made to the customer. For the nine months ended September 30, 2014, total revenue for Santander in connection with the investment accounts was approximately £188 while net profits were negligible relative to its overall profits of Banco Santander, S.A.

- In addition, during the third quarter 2014, Santander UK has identified two additional customers.

A UK national is designated by the U.S. under the NPWMD sanctions program and holds a business account, where no transactions have taken place. This account is in the process of being closed. No revenue or profits has been generated.
A second UK national designated by the U.S. for terrorism held a personal current account and a personal credit card account in the third quarter of 2014, both of which have now been closed. Although transactions have taken place on the current account during the reportable period, revenue and profits generated were negligible. No transactions have taken place on the credit card.

In addition, the Santander group 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 September 30, 2014, Santander was owed €3.1 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 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 €30,000 gross revenues and approximately €46,000 net loss to Santander for the nine months ended September 30, 2014, 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.

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.
- Other income — The various flow agreements in connection with our Chrysler relationship have resulted in a growing portfolio of assets serviced for others. These assets provide a steady stream of servicing income and may provide a gain on sale. We monitor the size of the portfolio and average servicing fee rate and gain. Additionally, our unsecured lending business provides fee income, which we monitor as an input to return on the unsecured portfolio.
- Operating expenses — We assess our operational efficiency using our cost-to-income ratio. We perform extensive analysis to determine whether observed fluctuations in operating expense levels indicate a trend or are the nonrecurring impact of large projects. Our operating 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 origination 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

Regulatory Restrictions

As further described above under Regulatory Matters - Dividend Restrictions, the FRB has objected to SHUSA's capital plan, resulting in, among other consequences, SCUSA's inability to pay dividends until such time as SHUSA has submitted to the FRB a revised capital plan and the FRB issues a written non-objection to such plan or the FRB otherwise issues its written non-objection to the payment of a dividend by SCUSA. Additionally, SHUSA is

prohibited by a written agreement with the FRB from allowing its non-wholly-owned nonbank subsidiaries, including the Company, to declare or pay any dividend, or to make any capital distribution, without the prior written approval of the FRB.

We expect to incur additional compliance costs related to regulatory compliance, including CCAR, as we seek to develop a best-in-class compliance capability. Costs of the process will include, but may not be limited to, personnel, IT systems, consultants and advisors, and legal costs. These costs, as well as other aspects of the current regulatory environment applicable to the Company (including dividend and growth restrictions), could limit the Company's earnings growth.

Chrysler Capital

Since May 1, 2013, we have been the preferred provider for Chrysler's consumer loans and leases and dealer loans under terms of the ten-year 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.

The Chrysler Agreement could 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. We are also required to meet 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 were not met in the first year, the agreement could terminate and we could lose the ability to operate as Chrysler Capital. We recently agreed with Chrysler that these milestones have been met to Chrysler's satisfaction as of the end of the first year, April 30, 2014, and that the Chrysler Agreement will continue in effect. 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. Our penetration rate for the three months ended September 30, 2014 was 29%. During the period from the May 1, 2013 launch of the Chrysler Capital business through September 30, 2014, we originated approximately $16.7 billion of Chrysler Capital retail installment contracts and more than $6.1 billion of Chrysler Capital vehicle leases, and facilitated the origination of more than $1.7 billion in leases and dealer loan originations for SBNA under flow agreements.

We have a flow agreement with Bank of America whereby we are committed to sell a contractually determined amount of eligible loans to Bank of America on a monthly basis. The amount sold monthly is up to $300 million and varies depending on the amount and credit quality of eligible current month originations and prior month sales. The agreement extends through May 31, 2018. For loans sold, we retain the servicing rights at contractually agreed upon rates. We also may receive or pay a servicer performance payment based on an agreed-upon formula if performance on the sold loans is better or worse, respectively, than expected performance at the time of sale. These servicer performance payments are limited to a known dollar amount at time of sale and are not expected to be significant to our total servicing compensation from the flow agreement. For the three and nine months ended September 30, 2014, the Company sold approximately $882 million and $2.4 billion of loans under this agreement, respectively.

In June 2013, we entered into a flow agreement with SBNA, whereby we provided the bank with the first right to review and assess dealer lending opportunities and, if the bank elected, to provide the proposed financing. We provided servicing on all loans originated under this arrangement. We also received or paid a servicer performance payment if it yielded, net of credit losses, on the loans are higher or lower, respectively, than expected at origination. As of September 30, 2014, SBNA owned approximately $595 million of loans originated under this agreement. Servicer performance payments earned for the three and nine months ended September 30, 2014 totaled approximately $1.2 million and $2.9 million, respectively. The agreement was terminated on October 1, 2014 and replaced with a revised arrangement. Under the revised terms, the servicing of all Chrysler Capital receivables from dealers, including receivables held by SBNA and by the Company, was transferred to SBNA. The agreement executed in connection with this transfer requires the Company to permit SBNA first right to review and assess Chrysler Capital dealer lending opportunities and requires SBNA to pay the Company a relationship management fee based upon the performance and yields of Chrysler Capital dealer loans held by SBNA.

In February 2014, we entered into a direct origination agreement with SBNA whereby we provide SBNA with the first right to review and approve consumer vehicle lease applications, subject to volume constraints. We may review any applications declined by SBNA for our own portfolio. We provide servicing and receive an origination fee on all leases originated under this agreement. As of September 30, 2014, approximately $1.2 billion had been originated under this agreement, of which approximately $48 million is subject to an indemnification agreement whereby the Company will reimburse SBNA for any credit or residual losses on the covered leases.

In May 2014, we entered into a loan flow agreement with Citizens Bank of Pennsylvania (CBP) (a subsidiary of RBS Citizens Financial Group) whereby CBP has committed to purchase up to $600 million per quarter of Chrysler Capital prime loans over

the next three years. The minimum commitment is $250 million per quarter for the first four quarters and $400 million thereafter. During the three and nine months ended September 30, 2014, we have sold $0.5 billion and $1.3 billion, respectively, to Citizens under terms of this flow agreement and predecessor purchase agreements. We retain servicing on the sold loans and will owe CBP a loss-sharing payment capped at 0.5% of the original pool balance if losses exceed a specified threshold, established on a pool-by-pool basis. We currently do not expect such loss-sharing payments to be material.

Other OEM Relationships

In April 2014, SCUSA executed an application transfer agreement with Nissan, whereby SCUSA provides nonprime retail auto financing through a turn-down program for new and used vehicles for Nissan's customers and dealers in the U.S. As of September 30, 2014, approximately $264 million had been originated under this agreement and a predecessor pilot arrangement.

Secondary Offering

On August 14, 2014, the Company filed a shelf registration statement on Form S-1 with the Commission to register up to 14,178,779 shares of its common stock owned by Auto Finance Holdings. On August 22, 2014, the Commission declared the registration statement effective. On September 8, 2014, J.P. Morgan, acting as sole bookrunner for the offering, purchased 10,047,954 shares, or 2.88% of our outstanding common stock, from Auto Finance Holdings for $18.65 per share. As a result of the sale, Auto Finance Holdings' ownership in the Company declined from approximately 4.1% to approximately 1.2% of our outstanding common stock. Auto Finance Holdings received all of the net proceeds from the sale of such shares.

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

Volume

Our volume of individually acquired loans and leases, including net balance increases on revolving loans, average APR, and discount during the three and nine months ended September 30, 2014 and 2013 have been as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Retained Originations	(Dollars in thousands)			
Retail installment contracts	$3,497,949	$4,490,120	$10,439,003	$11,641,318
Average APR	15.0 %	15.2 %	15.9 %	16.0 %
Discount	3.7 %	2.4 %	4.1 %	3.2 %
Unsecured consumer loans	$249,474	$276,265	$619,993	$665,166
Average APR	21.6 %	23.5 %	22.7 %	22.9 %
Discount	—	8.3 %	—	9 %
Receivables from dealers	$1,609	$34,012	$25,515	$145,449
Average APR	3.5 %	4.5 %	4.1 %	3.6 %
Discount	—	—	—	—
Leased vehicles	$1,267,291	$928,301	$3,389,214	$1,419,605
Capital lease receivables	$31,503	$—	$51,076	$—
Total originations retained	$5,047,826	$5,728,698	$14,524,801	$13,871,538
Sold Originations				
Retail installment contracts	$1,707,984	$640,252	$4,906,267	$898,075
Average APR	4.8 %	3.6 %	5.0 %	3.7 %
Receivables from dealers	$—	$133,475	$8,724	$204,782
Average APR	— %	3.0 %	5.3 %	2.9 %
Leased vehicles	$—	$—	$369,114	$—
Total originations sold	$1,707,984	$773,727	$5,284,105	$1,102,857
Total SCUSA Originations	$6,755,810	$6,502,425	$19,808,906	$14,974,395
Facilitated Originations				
Receivables from dealers	$139,408	$17,150	$392,920	$17,150
Leased vehicles	464,523	—	1,196,637	—
Total originations facilitated for affiliates	$603,931	$17,150	$1,589,557	$17,150
Total originations	$7,359,741	$6,519,575	$21,398,463	$14,991,545

Asset Sales

Our asset sales for the three and nine months ended September 30, 2014 and 2013 have been as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Dollars in thousands)			
Retail installment contracts	$2,413,251	$739,112	$5,483,149	$897,160
Average APR	4.8 %	3.6 %	5.0 %	3.7 %
Receivables from dealers	$18,227	$204,782	$18,227	$204,782
Average APR	4.7 %	2.9 %	4.7 %	2.9 %
Leased vehicles	$—	$—	$369,114	$—
Total asset sales	$2,431,478	$943,894	$5,870,490	$1,101,942

Ending Portfolio

Our ending held for investment portfolio, average APR, and remaining unaccreted discount as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Retail installment contracts	$24,923,308	$23,199,341
Average APR	16.3 %	16.3 %
Discount	2.6 %	2.8 %
Unsecured consumer loans	$1,640,276	$1,165,778
Average APR	23.4 %	24.0 %
Discount	—	2.8 %
Receivables from dealers	$97,826	$95,835
Average APR	4.3 %	4.9 %
Discount	—	—

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 and receivables from dealers, for which we continue to accrue interest until charge-off. 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, capital leases, and receivables from dealers, we also establish a loan or lease 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 substantially all of 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 pools during the nine months ended September 30, 2014 and 2013. 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 impairment to account for the worsening performance.

45

Selected Financial Data

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Dollars in thousands, except per share data)			
Income Statement Data				
Interest on individually acquired retail installment contracts	$1,047,879	$879,628	$3,061,554	$2,333,857
Interest on purchased receivables portfolios	43,231	87,237	164,651	327,712
Interest on receivables from dealers	896	2,180	3,502	4,915
Interest on unsecured consumer loans	85,822	42,447	251,898	57,290
Interest on finance receivables and loans	1,177,828	1,011,492	3,481,605	2,723,774
Net leased vehicle income	62,751	8,614	129,608	11,616
Other finance and interest income	2,512	1,029	3,636	5,870
Interest expense	129,135	120,589	381,895	291,062
Net finance and other interest income	1,113,956	900,546	3,232,954	2,450,198
Provision for credit losses on individually acquired retail installment contracts	601,414	447,565	1,785,482	1,074,487
Increase (decrease) in allowance related to purchased receivables portfolios	(4,884)	93,718	(33,396)	51,654
Provision for credit losses on receivables from dealers	(275)	103	(442)	1,593
Provision for credit losses on unsecured consumer loans	167,409	56,815	299,750	96,071
Provision for credit losses on capital leases	6,025	—	6,025	—
Provision for credit losses	769,689	598,201	2,057,419	1,223,805
Profit sharing	10,556	27,238	66,773	34,802
Other income	149,961	78,340	424,215	208,878
Operating expenses	201,906	176,140	731,580	496,312
Income before tax expense	281,766	177,307	801,397	904,157
Income tax expense	90,397	65,486	282,081	322,413
Net income	191,369	111,821	519,316	581,744
Noncontrolling interests	—	(576)	—	1,821
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$191,369	$111,245	$519,316	$583,565
Share Data				
Weighted-average common shares outstanding				
Basic	348,955,505	346,172,443	348,630,740	346,169,595
Diluted	355,921,570	346,172,443	355,809,576	346,169,595
Earnings per share attributable to Santander Consumer USA Holdings Inc shareholders				
Basic	$0.55	$0.32	$1.49	$1.69
Diluted	$0.54	$0.32	$1.46	$1.69
Dividends declared per share of common stock	$—	$—	$0.15	$0.84
Balance Sheet Data				
Finance receivables, loans and capital leases	$22,893,282	$21,238,684	$22,893,282	$21,238,684
Goodwill and intangible assets	127,991	128,573	127,991	128,573
Total assets	30,641,292	25,608,280	30,641,292	25,608,280
Total borrowings	26,834,477	22,683,397	26,834,477	22,683,397

Total liabilities	27,338,079	23,039,122	27,338,079	23,039,122
Total equity	3,303,213	2,569,158	3,303,213	2,569,158
Allowance for credit losses	3,293,338	2,355,087	3,293,338	2,355,087

46

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Dollars in thousands)			
Other Information				
Charge-offs, net of recoveries, on individually acquired retail installment contracts	$476,802	$323,929	$1,124,917	$641,900
Charge-offs, net of recoveries, on purchased receivables portfolios	8,728	46,653	47,571	129,467
Charge-offs, net of recoveries, on unsecured consumer loans	79,938	814	178,675	821
Charge-offs, net of recoveries	565,468	371,396	1,351,163	772,188
End of period Delinquent principal over 60 days	1,101,525	969,886	1,101,525	969,886
End of period Gross finance receivables, loans and capital leases	26,806,074	24,274,258	26,806,074	24,274,258
End of period Gross finance receivables, loans, and leases	31,831,631	25,638,151	31,831,631	25,638,151
Average Gross individually acquired retail installment contracts	24,150,655	19,873,599	23,261,250	17,214,334
Average Gross purchased receivables portfolios	1,149,344	2,676,906	1,446,655	3,325,260
Average Gross receivables from dealers	113,372	243,679	124,026	175,213
Average Gross unsecured consumer loans	1,567,511	536,154	1,369,631	248,206
Average Gross capital leases	35,741	—	16,388	—
Average Gross finance receivables, loans and capital leases	27,016,623	23,330,338	26,217,950	20,963,013
Average Gross finance receivables, loans, and leases	31,616,751	24,256,400	29,958,707	21,353,289
Average Total assets	30,446,488	24,352,346	29,173,189	21,514,270
Average Debt	26,750,117	21,451,420	25,718,012	18,681,703
Average Total equity	3,198,603	2,525,997	2,997,634	2,453,782
Ratios				
Yield on individually acquired retail installment contracts	17.4 %	17.7 %	17.5 %	18.1 %
Yield on purchased receivables portfolios	15.0 %	13.0 %	15.2 %	13.1 %
Yield on receivables from dealers	3.2 %	3.6 %	3.8 %	3.7 %
Yield on unsecured consumer loans	21.9 %	31.7 %	24.5 %	30.8 %
Yield on earning assets (1)	15.7 %	16.8 %	16.1 %	17.1 %
Cost of debt (2)	1.9 %	2.2 %	2.0 %	2.1 %
Net interest margin (3)	14.1 %	14.9 %	14.4 %	15.3 %
Efficiency ratio (4)	16.0 %	18.0 %	20.0 %	18.7 %
Return on average assets (5)	2.5 %	1.8 %	2.4 %	3.6 %
Return on average equity (6)	23.9 %	17.7 %	23.1 %	31.6 %
Net charge-off ratio on individually acquired retail installment contracts (7)	7.9 %	6.5 %	6.4 %	5.0 %
Net charge-off ratio on purchased receivables portfolios (7)	3.0 %	7.0 %	4.4 %	5.2 %
Net charge-off ratio on unsecured consumer loans (7)	20.4 %	0.6 %	17.4 %	0.4 %
Net charge-off ratio (7)	8.4 %	6.4 %	6.9 %	4.9 %
Delinquency ratio, end of period (8)	4.1 %	4.0 %	4.1 %	4.0 %
Tangible common equity to tangible assets (9)	10.4 %	9.6 %	10.4 %	9.6 %

Common stock dividend payout ratio (10)	—		—		10.1	%	49.8	%
Allowance to loans (11)	12.3	%	9.7	%	12.3	%	9.7	%

(1) “Yield on earning assets” is defined as the ratio of Total finance and other interest income, net of Leased vehicle expense, to Average gross finance receivables, loans and leases
(2) “Cost of debt” is defined as the ratio of Interest expense to Average debt
(3) “Net interest margin” is defined as the ratio of Net interest income to Average gross finance receivables, loans and leases
(4) “Efficiency ratio” is defined as the ratio of Operating expenses to the sum of Net finance and other interest income and Other income
(5) “Return on average assets” is defined as the ratio of Net income to Average total assets
(6) “Return on average equity” is defined as the ratio of Net income to Average total equity
(7) “Net charge-off ratio” is defined as the ratio of Charge-offs, net of recoveries, to average balance of the respective portfolio.
(8) “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

(9) "Tangible common equity to tangible assets" is defined as the ratio of Total equity, excluding Goodwill and intangible assets, to Total assets, excluding Goodwill and intangible assets - a reconciliation from GAAP to this non-GAAP measure for the periods ended September 30, 2014 and 2013 is as follows:

	September 30, 2014	September 30, 2013
	(Dollars in thousands)	
Total equity	$3,303,213	$2,569,158
Deduct: Goodwill and intangibles	127,991	128,573
Tangible common equity	$3,175,222	$2,440,585
Total assets	$30,641,292	$25,608,280
Deduct: Goodwill and intangibles	127,991	128,573
Tangible assets	$30,513,301	$25,479,707
Equity to assets ratio	10.8 %	10.0 %
Tangible common equity to tangible assets	10.4 %	9.6 %

(10) "Common stock dividend payout 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

(11) "Allowance to loans" is defined as the ratio of Allowance for credit losses to End of period Gross finance receivables, loans and capital leases held for investment

	Year Ended December 31,								
	2013	2012	2011	2010	2009	2008	2007	2006	2
	(Dollars in thousands, except per share data)								
Income Statement Data									
Interest on individually acquired retail installment contracts	$3,227,845	$2,223,833	$1,695,538	$1,308,728	$1,281,515	$1,396,610	$1,129,533	$642,156	$
Interest on purchased receivables portfolios	410,213	704,770	870,257	734,634	218,240	105,229	—	—	–
Interest on receivables from dealers	6,663	7,177	14,394	24,137	5,255	—	—	—	–
Interest on unsecured consumer loans	128,351	—	—	—	—	—	—	—	–
Interest on finance receivables and loans	3,773,072	2,935,780	2,580,189	2,067,499	1,505,010	1,501,839	1,129,533	642,156	4
Net leased vehicle income	33,398	—	—	—	—	—	—	—	–
Other finance and interest income	6,010	12,722	14,324	9,079	5,230	5,333	—	—	–
Interest expense	408,787	374,027	418,526	316,486	235,031	256,356	225,747	149,050	7
Net interest income	3,403,693	2,574,475	2,175,987	1,760,092	1,275,209	1,250,816	903,786	493,106	3
Provision for credit losses on individually acquired retail installment contracts	1,651,416	1,119,074	741,559	750,625	720,938	823,024	513,377	261,016	1
Increase (decrease) in allowance related to purchased receivables portfolios	7,716	3,378	77,662	137,600	—	—	—	—	–
Provision for credit losses on receivables from dealers	1,090	—	—	—	—	—	—	—	–
Provision for credit losses on	192,745	—	—	—	—	—	—	—	–

unsecured consumer loans									
Provision for credit losses	1,852,967	1,122,452	819,221	888,225	720,938	823,024	513,377	261,016	1
Profit sharing	78,246	—	—	—	—	—	—	—	–
Other income	311,566	295,689	452,529	249,028	48,096	43,120	20,523	15,903	1
Operating expenses	698,958	559,163	557,083	404,840	249,012	209,315	150,156	178,927	9
Income before tax expense	1,085,088	1,188,549	1,252,212	716,055	353,355	261,597	260,776	69,066	8
Income tax expense	389,418	453,615	464,034	277,944	143,834	87,472	100,302	18,312	–
Net income	695,670	734,934	788,178	438,111	209,521	174,125	160,474	50,754	8
Noncontrolling interests	1,821	(19,931)	(19,981)	—	—			33,266	
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$697,491	$715,003	$768,197	$438,111	$209,521	$174,125	$160,474	$17,488	$
Share Data									
Weighted-average common shares outstanding									
Basic	346,177,515	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739	245,781,739	(d)	(
Diluted	346,177,515	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739	245,781,739	(d)	(
Earnings per share									
Basic	$2.01	$2.07	$3.12	$1.78	$0.85	$0.71	$0.65	(d)	(
Diluted	$2.01	$2.07	$3.12	$1.78	$0.85	$0.71	$0.65	(d)	(
Dividends declared per share	$0.84	$2.12	$1.89	$1.63	—	—	—	(d)	(
Balance Sheet Data									
Finance receivables and loans	$21,351,046	$16,265,820	$16,715,703	$15,032,046	$7,466,267	$5,600,102	$4,326,835	$2,748,173	$
Goodwill and intangible assets	128,720	126,700	125,427	126,767	142,198	105,643	11,920	11,920	–
Total assets	26,401,896	18,741,644	19,404,371	16,773,021	8,556,177	6,044,454	4,840,647	3,095,073	1
Total borrowings	23,295,660	16,227,995	16,790,518	15,065,635	7,525,930	5,432,338	4,419,162	2,846,882	1
Total liabilities	23,715,064	16,502,178	17,167,686	16,005,404	7,838,862	5,564,986	4,509,803	2,910,208	1
Total equity	2,686,832	2,239,466	2,236,685	767,617	717,315	479,468	330,844	184,865	9