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Santander Consumer USA Holdings Inc.  
Form 10-Q  
November 09, 2016

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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, 2016

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

SANTANDER CONSUMER USA HOLDINGS INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 32-0414408  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)  
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 S-T (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 ý Accelerated filer ¨

Non-accelerated filer ¨ 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 November 4, 2016
Common Stock (\$0.01 par value)	358,338,399 shares

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Unless otherwise specified or the context otherwise requires, the use herein of the terms “we,” “our,” “us,” “SC,” 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,” or 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/A for the year ended December 31, 2015, 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 SEC. Among the factors that could cause our actual results to differ materially from those 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, cash flows, liquidity, financial condition and/or results of operations;
- our ability to remediate any material weaknesses in internal controls over financial reporting completely and in a timely manner;
- adverse economic conditions in the United States and worldwide may negatively impact our cash flows, liquidity, financial condition and/or results of operations;
- 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;
- we may incur unexpected costs and delays in connection with exiting our personal lending business;
- our agreement with FCA may not result in anticipated levels of growth and is subject to 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 business, 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 directly and indirectly, through our relationship with Santander Holdings USA, Inc., subject to certain bank regulations, including oversight by the OCC, the CFPB, the European Central Bank, 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 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 the reader 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.

### Glossary

The following is a list of abbreviations, acronyms, and commonly used terms used in this Quarterly Report on Form 10-Q.

ABS Asset-backed securities

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Advance Rate	The maximum percentage of unpaid principal balance that a lender is willing to lend.
ALG	Automotive Lease Guide
APR	Annual Percentage Rate
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bluestem	Bluestem Brands, Inc., an online retailer for whose customers SC provides financing
Board	SC's Board of Directors
Capmark	Capmark Financial Group Inc., an investment company
CBP	Citizens Bank of Pennsylvania
CCAR	Comprehensive Capital Analysis and Review
CCART	Chrysler Capital Auto Receivables Trust, a securitization platform
Centerbridge	Centerbridge Partners, L.P., a private equity firm
CEO	Chief Executive Officer
CFPB	Consumer Financial Protection Bureau
Chrysler Agreement	Ten-year private-label financing agreement with FCA
Clean-up Call	The early redemption of a debt instrument by the issuer, generally when the underlying portfolio has amortized to 10% of its original balance
Commission	U.S. Securities and Exchange Commission
Credit Enhancement	A method such as overcollateralization, insurance, or a third-party guarantee, whereby a borrower reduces default risk
DCA	Discounted Cash Flow Analysis
Dealer Loan	A floorplan line of credit, real estate loan, working capital loan, or other credit extended to an automobile dealer
Dodd-Frank Act	Comprehensive financial regulatory reform legislation enacted by the U.S. Congress on July 21, 2010
DOJ	U.S. Department of Justice
DRIVE	Drive Auto Receivables Trust, a securitization platform
ECOA	Equal Credit Opportunity Act
Employment Agreement	The amended and restated employment agreement, executed as of December 31, 2011, by and among SC, Banco Santander, S.A. and Thomas G. Dundon
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCA	Fiat Chrysler Automobiles US LLC, formerly Chrysler Group LLC
FICO®	A common credit score created by Fair Isaac Corporation that is used on the credit reports that lenders use to assess an applicant's credit risk. FICO® is computed using mathematical models that take into account five factors: payment history, current level of indebtedness, types of credit used, length of credit history, and new credit
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act of 1989
Floorplan Loan	A revolving line of credit that finances inventory until sold
FRB	Federal Reserve Bank of Boston
FTC	Federal Trade Commission
GAP	Guaranteed Auto Protection
IPO	SC's Initial Public Offering
ISDA	International Swaps and Derivative Association
LendingClub	LendingClub Corporation, a peer-to-peer personal lending platform company from which SC acquired loans under terms of flow agreements
MSA	Master Service Agreement

Nonaccretable Difference  
OCC

The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows of a portfolio acquired with deteriorated credit quality  
Office of the Comptroller of the Currency

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Overcollateralization	A credit enhancement method whereby more collateral is posted than is required to obtain financing
OEM	Original equipment manufacturer
Private-label	Financing branded in the name of the product manufacturer rather than in the name of the finance provider
Remarketing	The controlled disposal of leased vehicles that have been reached the end of their lease term or of financed vehicles obtained through repossession
Residual Value	The future value of a leased asset at the end of its lease term
RSU	Restricted stock unit
Santander	Banco Santander, S.A.
SBNA	Santander Bank, N.A., a wholly-owned subsidiary of SHUSA. Formerly Sovereign Bank, N.A.
SC	Santander Consumer USA Holdings Inc., a Delaware corporation, and its consolidated subsidiaries
SCRA	Servicemembers Civil Relief Act
SDART	Santander Drive Auto Receivables Trust, a securitization platform
SEC	U.S. Securities and Exchange Commission
Separation Agreement	The Separation Agreement dated July 2, 2015 entered into by Thomas G. Dundon with SC, DDFS LLC, SHUSA, Santander Consumer USA Inc. (the wholly owned subsidiary of SC) and Banco Santander, S.A.
Shareholders Agreement	The Shareholders Agreement dated January 28, 2014, by and among the Company, SHUSA, DDFS, Thomas G. Dundon, Sponsor Auto Finance Holdings Series LP, and, for the certain sections set forth therein, Banco Santander
SHUSA	Santander Holdings USA, Inc., a wholly-owned subsidiary of Santander and the majority owner of SC
Subvention	Reimbursement of the finance provider by a manufacturer for the difference between a market loan or lease rate and the below-market rate given to a customer
TDR	Troubled Debt Restructuring
Trusts	Special purpose financing trusts utilized in SC's financing transactions
U.S. GAAP	U.S. Generally Accepted Accounting Principles
VIE	Variable Interest Entity
Warehouse Facility	A revolving line of credit generally used to fund finance receivable originations

## PART I: FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements (Unaudited)

## SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (Dollars in thousands, except per share amounts)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents - \$26,320 and zero held at affiliates, respectively	\$ 75,873	\$ 18,893
Finance receivables held for sale, net	2,572,429	2,859,575
Finance receivables held for investment, net	23,686,391	23,367,788
Restricted cash - \$14,048 and \$39,436 held at affiliates, respectively	2,696,500	2,236,329
Accrued interest receivable	369,543	395,387
Leased vehicles, net	8,467,129	6,497,310
Furniture and equipment, net of accumulated depreciation of \$43,932 and \$50,409, respectively	62,378	58,007
Federal, state and other income taxes receivable	101,284	267,636
Related party taxes receivable	85	71
Goodwill	74,056	74,056
Intangible assets, net of amortization of \$34,580 and \$28,422, respectively	33,028	33,016
Due from affiliates	46,333	58,599
Other assets	586,607	582,291
Total assets	\$ 38,771,636	\$ 36,448,958
Liabilities and Equity		
Liabilities:		
Notes payable — credit facilities	\$ 8,299,229	\$ 6,902,779
Notes payable — secured structured financings	21,150,666	20,872,900
Notes payable — related party	2,350,000	2,600,000
Accrued interest payable	28,796	22,544
Accounts payable and accrued expenses	354,864	413,269
Federal, state and other income taxes payable	14,038	2,462
Deferred tax liabilities, net	1,227,179	881,225
Due to affiliates	54,848	58,148
Other liabilities	174,359	263,082
Total liabilities	33,653,979	32,016,409
Commitments and contingencies (Notes 5 and 10)		
Equity:		
Common stock, \$0.01 par value — 1,100,000,000 shares authorized; 358,424,633 and 358,014,870 shares issued and 358,355,628 and 357,945,865 shares outstanding, respectively	3,584	3,579
Additional paid-in capital	1,652,786	1,644,151
Accumulated other comprehensive income (loss), net	(26,598	) 2,125
Retained earnings	3,487,885	2,782,694
Total stockholders' equity	5,117,657	4,432,549
Total liabilities and equity	\$ 38,771,636	\$ 36,448,958

See notes to unaudited condensed consolidated financial statements.





SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited) (Dollars in thousands, except per share amounts)

The assets of consolidated VIEs, presented based upon the legal transfer of the underlying assets in order to reflect legal ownership, that can be used only to settle obligations of the consolidated VIE and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit were as follows:

	September 30, 2016	December 31, 2015
Assets		
Restricted cash	\$ 1,992,731	\$ 1,842,877
Finance receivables held for sale, net	1,623,456	1,539,686
Finance receivables held for investment, net	22,258,129	22,658,626
Leased vehicles, net	8,467,129	6,497,310
Various other assets	589,006	630,017
Total assets	\$ 34,930,451	\$ 33,168,516
Liabilities		
Notes payable	\$ 30,892,750	\$ 30,611,019
Various other liabilities	92,128	85,844
Total liabilities	\$ 30,984,878	\$ 30,696,863

Certain amounts shown above are greater than the amounts shown in the corresponding line items in the accompanying condensed consolidated balance sheets due to intercompany eliminations between the VIEs and other entities consolidated by the Company. For example, for most of its securitizations, the Company retains one or more of the lowest tranches of bonds. Rather than showing investment in bonds as an asset and the associated debt as a liability, these amounts are eliminated in consolidation as required by U.S. GAAP.

See notes to unaudited condensed consolidated financial statements.

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		For the Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest on finance receivables and loans	\$1,246,386	\$1,285,085	\$3,804,322	\$3,761,757
Leased vehicle income	388,501	267,211	1,086,651	742,684
Other finance and interest income	3,638	9,334	11,440	23,413
Total finance and other interest income	1,638,525	1,561,630	4,902,413	4,527,854
Interest expense — Including \$28,131, \$49,795, \$88,814, and \$136,261 to affiliates, respectively	207,175	171,420	590,504	470,898
Leased vehicle expense	252,730	174,545	717,230	518,165
Net finance and other interest income	1,178,620	1,215,665	3,594,679	3,538,791
Provision for credit losses	610,398	723,922	1,782,489	1,935,148
Net finance and other interest income after provision for credit losses	568,222	491,743	1,812,190	1,603,643
Profit sharing	6,400	11,818	35,640	46,835
Net finance and other interest income after provision for credit losses and profit sharing	561,822	479,925	1,776,550	1,556,808
Investment gains (losses), net — Including \$346, (\$5,654), \$346, and (\$5,654) from affiliates, respectively	(106,050)	22,684	(276,415)	133,998
Servicing fee income — Including \$4,049, \$4,650, \$13,180, and \$13,665 from affiliates, respectively	36,447	35,910	123,929	88,756
Fees, commissions, and other — Including \$225, \$225, \$675, and \$9,106 from affiliates, respectively	96,285	95,742	294,028	296,476
Total other income	26,682	154,336	141,542	519,230
Compensation expense	128,056	114,070	371,242	325,583
Repossession expense	75,920	60,770	217,816	175,066
Other operating costs — Including (\$871), \$2,199, \$3,615, and \$7,877 to affiliates, respectively	80,508	86,447	258,509	263,978
Total operating expenses	284,484	261,287	847,567	764,627
Income before income taxes	304,020	372,974	1,070,525	1,311,411
Income tax expense	90,473	136,539	365,334	467,816
Net income	\$213,547	\$236,435	\$705,191	\$843,595
Net income	\$213,547	\$236,435	\$705,191	\$843,595
Other comprehensive income (loss):				
Change in unrealized gains (losses) on cash flow hedges, net of tax of (\$14,397), \$11,066, \$17,081, and \$16,626	24,168	(18,513)	(28,723)	(27,792)
Comprehensive income	\$237,715	\$217,922	\$676,468	\$815,803
Net income per common share (basic)	\$0.60	\$0.66	\$1.97	\$2.38
Net income per common share (diluted)	\$0.59	\$0.66	\$1.96	\$2.38
Weighted average common shares (basic)	358,343,781	357,846,564	358,179,618	354,150,973
Weighted average common shares (diluted)	360,087,749	359,108,197	359,635,034	354,735,772

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	Total
	Shares	Amount	Capital	Income (Loss)	Earnings	Stockholders' Equity
Balance — January 1, 2015	348,978	\$ 3,490	\$ 1,560,519	\$ 3,553	\$ 1,958,654	\$ 3,526,216
Stock issued in connection with employee incentive compensation plans	8,924	89	99,966	—	—	100,055
Stock-based compensation expense	—	—	11,047	—	—	11,047
Tax sharing with affiliate	—	—	(1,137)	) —	—	(1,137)
Net income	—	—	—	—	843,595	843,595
Other comprehensive income (loss), net of taxes	—	—	—	(27,792)	) —	(27,792)
Balance — September 30, 2015	357,902	\$ 3,579	\$ 1,670,395	\$ (24,239)	) \$ 2,802,249	\$ 4,451,984
Balance — January 1, 2016	357,946	\$ 3,579	\$ 1,644,151	\$ 2,125	\$ 2,782,694	\$ 4,432,549
Stock issued in connection with employee incentive compensation plans	410	5	2,014	—	—	2,019
Stock-based compensation expense	—	—	7,013	—	—	7,013
Tax sharing with affiliate	—	—	(392)	) —	—	(392)
Net income	—	—	—	—	705,191	705,191
Other comprehensive income (loss), net of taxes	—	—	—	(28,723)	) —	(28,723)
Balance — September 30, 2016	358,356	\$ 3,584	\$ 1,652,786	\$ (26,598)	) \$ 3,487,885	\$ 5,117,657

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,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 705,191	\$ 843,595
Adjustments to reconcile net income to net cash provided by operating activities		
Derivative mark to market	4,653	9,519
Provision for credit losses	1,782,489	1,935,148
Depreciation and amortization	788,084	589,172
Accretion of discount	(281,295 )	(250,057 )
Originations and purchases of receivables held for sale	(3,018,287 )	(3,810,662 )
Proceeds from sales of and collections on receivables held for sale	2,460,399	3,019,253
Change in revolving personal loans	(471,061 )	—
Investment losses (gains), net	276,415	(133,998 )
Stock-based compensation	7,013	11,047
Deferred tax expense	363,036	250,021
Changes in assets and liabilities:		
Accrued interest receivable	13,591	(59,538 )
Accounts receivable	7,161	(8,832 )
Federal income tax and other taxes	176,978	260,512
Other assets	(31,572 )	(21,182 )
Accrued interest payable	6,657	1,515
Other liabilities	(106,879 )	41,930
Due to/from affiliates	(6,440 )	6,793
Net cash provided by operating activities	2,676,133	2,684,236
Cash flows from investing activities:		
Originations of and disbursements on finance receivables held for investment	(9,769,563 )	(13,695,695 )
Purchases of portfolios of finance receivables held for investment	(427,384 )	—
Collections on finance receivables held for investment	7,875,592	7,764,374
Proceeds from sale of loans held for investment	823,877	1,950,276
Leased vehicles purchased	(4,624,096 )	(4,138,748 )
Manufacturer incentives received	1,081,399	799,252
Proceeds from sale of leased vehicles	1,135,723	1,724,836
Change in revolving personal loans	362,671	(197,448 )
Purchases of furniture and equipment	(19,971 )	(15,584 )
Sales of furniture and equipment	1,985	310
Change in restricted cash	(460,749 )	(467,165 )
Other investing activities	(6,165 )	(9,434 )
Net cash used in investing activities	(4,026,681 )	(6,285,026 )
Cash flows from financing activities:		
Proceeds from notes payable related to secured structured financings — net of debt issuance costs	9,637,933	11,816,224
Payments on notes payable related to secured structured financings	(9,130,280 )	(8,343,736 )
Proceeds from unsecured notes payable	6,718,900	5,470,000
Payments on unsecured notes payable	(6,968,900 )	(5,635,000 )

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Proceeds from notes payable	15,885,951	20,648,451
Payments on notes payable	(14,738,924)	(20,396,595)
Proceeds from stock option exercises, gross	2,848	87,714
Excess tax benefit on stock option exercises	—	26,390
Repurchase of stock - employee tax withholding	—	(1,263 )
Net cash provided by financing activities	1,407,528	3,672,185
Net increase in cash and cash equivalents	56,980	71,395
Cash — Beginning of period	18,893	33,157
Cash — End of period	\$75,873	\$ 104,552

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)

Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices

Santander Consumer USA Holdings Inc., a Delaware Corporation (together with its subsidiaries, SC or the Company), is the holding company for Santander Consumer USA Inc., an Illinois corporation, and its subsidiaries, a specialized consumer finance company focused on vehicle finance and third-party servicing. The Company's primary business is the indirect origination and securitization 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 (the Chrysler Agreement) with Fiat Chrysler Automobiles US LLC (FCA) that became effective May 1, 2013, the Company offers a full spectrum of auto financing products and services to FCA 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 personal loans, private-label credit cards and other consumer finance products.

As of September 30, 2016, the Company was owned approximately 58.9% by Santander Holdings USA, Inc. (SHUSA), a subsidiary of Banco Santander, S.A. (Santander), approximately 31.3% by public shareholders, approximately 9.8% by DDFS LLC, an entity affiliated with Thomas G. Dundon, the Company's former Chairman and CEO and approximately 0.1% by other holders, primarily members of senior management. Pursuant to a Separation Agreement with Mr. Dundon, SHUSA was deemed to have delivered, as of July 3, 2015, an irrevocable notice to exercise the call option with respect to all the shares of Company common stock owned by DDFS LLC and consummate the transactions contemplated by the call option notice, subject to required bank regulatory approvals and any other approvals required by law being obtained (the Call Transaction). Pursuant to the Separation Agreement, because the Call Transaction was not consummated prior to October 15, 2015 (the Call End Date), DDFS LLC is free to transfer any or all of its shares of Company common stock, subject to the terms and conditions of the Amended and Restated Loan Agreement, dated as of July 16, 2014, between DDFS LLC and Santander (Note 11).

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries, including certain Trusts, which are considered VIEs. The Company also consolidates other VIEs for which it was deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying condensed consolidated financial statements as of September 30, 2016 and December 31, 2015, and for the three and nine months ended September 30, 2016 and 2015, have been prepared in accordance with 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 adjustments, necessary for the fair statement of 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/A for the year ended December 31, 2015.

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 credit loss allowance, discount accretion, impairment, fair value, 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, recreational vehicles, and marine vehicles. It also includes the Company's personal loan and point-of-sale financing operations.

### Accounting Policies

There have been no material changes in the Company's accounting policies from those disclosed in Part II, Item 8 - Financial Statements and Supplementary Data in the Annual Report on Form 10-K/A for the year ended December 31, 2015 except as follows:

#### Retail Installment Contracts

Interest is accrued when earned in accordance with the terms of the retail installment contract. The accrual of interest is discontinued and reversed once a retail installment contract becomes more than 60 days past due, and is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. A Chrysler Capital retail installment contract is considered current if the borrower has made all prior payments in full and at least 90% of the payment currently due, and a non-Chrysler Capital retail installment contract is considered current if the borrower has made all prior payments in full and at least 50% of the payment currently due. Payments generally are applied to fees first, then interest, then principal, regardless of a contract's accrual status.

The amortization of discounts, subvention payments from manufacturers, and other origination costs on retail installment contracts held for investment acquired individually, or through a direct lending program, are recognized as adjustments to the yield of the related contract using the effective interest method. The Company estimates future principal prepayments in the calculation of the constant effective yield.

#### Change in Accounting Principle

The Company tests goodwill for impairment annually in accordance with the provisions of ASC 350, Intangibles-Goodwill and Other. During the second quarter of fiscal year 2016, the Company changed the date of its annual impairment test from December 31 to October 1. This new testing date is preferable under the circumstances in order to align the Company's policy with that of SHUSA. The Company has prospectively applied the change and confirmed the change in the annual impairment testing date did not delay, accelerate, or avoid an impairment charge.

#### Recently Adopted Accounting Standards

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide 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 became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company's financial position, results of operations, or cash flows.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items. This standard simplifies income statement classification by removing the concept of extraordinary items from U.S. GAAP, and as a result, items that are both unusual and infrequent no longer will be separately reported net of tax after continuing operations. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company's financial position, results of operations, or cash flows.

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis. This ASU changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company's financial position, results of operations, or cash flows.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU clarifies when fees paid in a cloud computing arrangement pertain to the acquisition of a software license, services, or both. This guidance became effective for the Company January 1, 2016 and



implementation of this guidance did not have a significant impact on the Company's financial position, results of operations, or cash flows.

#### Recently Issued 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. The effective date for this ASU, which was deferred by ASU 2015-14 issued in August 2015, is for fiscal years beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, an amendment to the guidance in ASU 2014-09 that revises the structure of the indicators to provide indicators of when the entity is the principal or agent in a revenue transaction, and eliminated two of the indicators ("the entity's consideration is in the form of a commission" and "the entity is not exposed to credit risk") in making that determination. This amendment also clarifies that each indicator may be more or less relevant to the assessment depending on the terms and conditions of the contract. In April 2016, the FASB issued ASU 2016-10, which clarifies the implementation guidance on identifying promised goods or services and on determining whether an entity's promise to grant a license with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). Also, in May 2016, the FASB issued ASU 2016-12, which provides clarifying guidance in a few narrow areas and adds some practical expedient to the guidance. The amendments are expected to reduce the degree of judgment necessary to comply with the revenue recognition topic. The amendments, collectively, should be applied retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. Early adoption of the guidance is not permitted. The Company is currently evaluating the impact of adopting ASU 2014-09 and the related updates on its financial position, results of operations and disclosures.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In February 2016, the FASB issued ASU 2016-02, Leases, which will, among other impacts, change the criteria under which leases are identified and accounted for as on- or off-balance sheet. The guidance will be effective for the fiscal year beginning after December 15, 2018, including interim periods within that year. Once effective, the new guidance must be applied for all periods presented. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses, which changes the criteria under which credit losses are measured. The amendment replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to perform credit loss estimates. The guidance will be effective for the fiscal year beginning after December 15, 2019, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows-Classification of Certain Cash Receipts and Cash Payments, which provides guidance on several specific cash flow issues. The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In October 2016, the FASB issued ASU 2016-17, Consolidation: Interest Held Through Related Parties That Are Under Common Control, which will change the evaluation of whether a reporting entity is the primary beneficiary of a VIE by changing how a reporting entity that is a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

2. Finance Receivables  
Held For Investment

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Finance receivables held for investment, net is comprised of the following at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Retail installment contracts acquired individually	\$ 23,404,055	\$ 23,004,065
Purchased receivables	174,702	239,551
Receivables from dealers	69,718	76,025
Personal loans	11,537	941
Capital lease receivables (Note 3)	26,379	47,206
	\$ 23,686,391	\$ 23,367,788

The Company's held for investment portfolio of retail installment contracts acquired individually, receivables from dealers, and personal loans was comprised of the following at September 30, 2016 and December 31, 2015:

	September 30, 2016		
	Retail		
	Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans
Unpaid principal balance	\$ 27,370,995	\$ 70,366	\$ 11,682
Credit loss allowance (Note 4)	(3,401,285 )	(648 )	—
Discount	(622,833 )	—	(2,577 )
Capitalized origination costs and fees	57,178	—	2,432
Net carrying balance	\$ 23,404,055	\$ 69,718	\$ 11,537
	December 31, 2015		
	Retail		
	Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans
Unpaid principal balance	\$ 26,863,946	\$ 76,941	\$ 941
Credit loss allowance (Note 4)	(3,197,414 )	(916 )	—
Discount	(722,701 )	—	—
Capitalized origination costs and fees	60,234	—	—
Net carrying balance	\$ 23,004,065	\$ 76,025	\$ 941

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 borrowers on the Company's retail installment contracts held for investment are retail consumers; however, \$911,062 and \$1,087,024 of the unpaid principal balance represented fleet contracts with commercial borrowers as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, borrowers on the Company's retail installment contracts held for investment are located in Texas (17%), Florida (13%), California (10%), Georgia (5%) and other states each individually representing less than 5% of the Company's total.

Purchased receivables portfolios, which were acquired with deteriorated credit quality, were comprised of the following at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Outstanding balance	\$ 254,554	\$ 362,212

Outstanding recorded investment, net of impairment \$ 174,702      \$ 239,551

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

	For the Three Months		For the Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Balance — beginning of period	\$137,747	\$284,460	\$178,582	\$268,927
Accretion of accretable yield	(17,830 )	(16,770 )	(58,774 )	(66,450 )
Reclassifications from (to) nonaccretable difference	(8,627 )	(43,297 )	(8,518 )	21,916
Balance — end of period	\$111,290	\$224,393	\$111,290	\$224,393

During the three and nine months ended September 30, 2016 and 2015, the Company did not acquire any vehicle loan portfolios for which it was probable at acquisition that not all contractually required payments would be collected. However, during the three and nine months ended September 30, 2016, the Company recognized certain retail installment contracts with an unpaid principal balance of \$135,772 and \$327,443 respectively, held by non-consolidated securitization Trusts, under optional clean-up calls. Following the initial recognition of these loans at fair value, the performing loans in the portfolio are carried at amortized cost, net of allowance for credit losses. The Company elected the fair value option for all non-performing loans acquired (more than 60 days delinquent as of re-recognition date), for which it was probable that not all contractually required payments would be collected (Note 13).

Receivables from dealers held for investment includes a term loan with a third-party vehicle dealer and lender that operates in multiple states. The loan allowed committed borrowings of \$50,000 at September 30, 2016 and December 31, 2015, and the unpaid principal balance of the facility was \$50,000 at each of those dates. The term loan will mature on December 31, 2018. The Company had accrued interest on this term loan of \$153 and \$156 at September 30, 2016 and December 31, 2015, respectively.

The remaining receivables from dealers held for investment are all Chrysler Agreement-related. As of September 30, 2016, borrowers on these dealer receivables are located in Virginia (51%), New York (24%), Mississippi (15%), Missouri (9%) and other states each individually representing less than 5% of the Company's total.

As of September 30, 2015, the Company determined that it no longer had the intent to hold its personal loans for investment and that classification of all of its personal loans as held for sale was appropriate as of that date. In connection with the reclassification to held for sale, the Company transferred the personal loan portfolio at the lower of cost or market, with the lower of cost or market adjustment being charged off against the credit loss allowance. Loan originations and purchases under the Company's personal lending platform subsequent to September 30, 2015, also are classified as held for sale. Following the reclassification of personal loans to held for sale, further adjustments to the recorded investment in personal loans held for sale, whether due to customer default or changes in market value, are recorded in investment gains (losses), net, in the condensed consolidated statements of income and comprehensive income (Note 16). On February 1, 2016, the Company sold personal installment loans with an unpaid principal balance of \$869,349 to a third party for an immaterial gain to unpaid principal balance.

At December 31, 2015, the Company determined that its intent to sell certain non-performing personal installment loans had changed and now expects to hold these loans through their maturity. The Company recorded a lower of cost or market adjustment through investment gains (losses), net, immediately prior to transferring the loans to finance receivables held for investment at their new recorded investment. The carrying value of these loans was \$662 and \$941 at September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016, the Company determined that its intent to sell certain personal revolving loans had changed and now expects to hold these loans through their maturity. The Company recorded a lower of cost or market adjustment of \$1,986 through investment gains (losses), net, immediately prior to transferring the loans to finance receivables held for investment at their new recorded investment. The carrying value of these loans was \$10,875 at September 30, 2016.

Held For Sale



The carrying value of the Company's finance receivables held for sale was comprised of the following at September 30, 2016 and December 31, 2015:

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	September 30, December 31,	
	2016	2015
Retail installment contracts acquired individually	\$ 1,652,106	\$ 905,161
Personal loans	920,323	1,954,414
	\$ 2,572,429	\$ 2,859,575

Sales of retail installment contracts to third parties and proceeds from sales of charged-off assets for the three and nine months ended September 30, 2016 and 2015 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Sales of retail installment contracts to third parties	\$ 793,804	\$ 3,057,654	\$ 2,312,983	\$ 5,993,407
Proceeds from sales of charged-off assets	12,521	13,730	47,594	117,693

The Company retains servicing of retail installment contracts and leases sold to third parties. Total contracts sold to unrelated third parties and serviced as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, December 31,	
	2016	2015
Serviced balance of retail installment contracts and leases sold to third parties	\$ 10,088,086	\$ 12,155,844

### 3. Leases

The Company has both operating and capital leases, which are separately accounted for and recorded on the Company's condensed consolidated balance sheets. Operating leases are reported as leased vehicles, net, while capital leases are included in finance receivables held for investment, net.

#### Operating Leases

Leased vehicles, net, which is comprised of leases originated under the Chrysler Agreement, consisted of the following as of September 30, 2016 and December 31, 2015:

	September 30, December 31,	
	2016	2015
Leased vehicles	\$ 11,696,109	\$ 8,836,710
Less: accumulated depreciation	(2,143,670 )	(1,510,414 )
Depreciated net capitalized cost	9,552,439	7,326,296
Manufacturer subvention payments, net of accretion	(1,105,366 )	(845,142 )
Origination fees and other costs	20,056	16,156
Net book value	\$ 8,467,129	\$ 6,497,310

During the three and nine months ended September 30, 2015, the Company executed bulk sales of Chrysler Capital leases with an aggregate depreciated net capitalized cost of zero and \$1,316,958, respectively, and a net book value of zero and \$1,155,171, respectively, to a third party. The bulk sale agreements included certain provisions whereby the Company agreed to share in residual losses for lease terminations with losses over a specific percentage threshold (Note 10). The Company retained servicing on the sold leases. Due to the accelerated depreciation permitted for tax purposes, the sales generated large taxable gains that the Company deferred through a qualified like-kind exchange program. An immaterial amount of taxable gain that did not qualify for deferral was recognized upon expiration of the reinvestment period. No such bulk sales occurred during the three and nine months ended September 30, 2016.

The following summarizes the future minimum rental payments due to the Company as lessor under operating leases as of September 30, 2016:

Remainder of 2016	\$395,131
2017	1,338,060
2018	772,340
2019	163,867
2020	2,860
Thereafter	—
Total	\$2,672,258

#### Capital Leases

Certain leases originated by the Company 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, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Gross investment in capital leases	\$ 47,012	\$ 91,393
Origination fees and other	176	155
Less: unearned income	(9,765 )	(24,464 )
Net investment in capital leases before allowance	37,423	67,084
Less: allowance for lease losses	(11,044 )	(19,878 )
Net investment in capital leases	\$ 26,379	\$ 47,206

The following summarizes the future minimum lease payments due to the Company as lessor under capital leases as of September 30, 2016:

Remainder of 2016	\$4,261
2017	16,967
2018	16,194
2019	6,957
2020	1,915
Thereafter	718
Total	\$47,012

#### 4. Credit Loss Allowance and Credit Quality

##### Credit Loss Allowance

The Company estimates the allowance for credit losses on individually acquired retail installment contracts and personal loans held for investment not classified as TDRs based on delinquency status, historical loss experience, estimated values of underlying collateral, when applicable, and various economic factors. In developing the allowance, the Company utilizes a loss emergence period assumption, a loss given default assumption applied to recorded investment, and a probability of default assumption based on a loss forecasting model. The loss emergence period assumption represents the average length of time between when a loss event is first estimated to have occurred and when the account is charged off. The recorded investment represents unpaid principal balance adjusted for unaccreted net discounts, subvention from manufacturers, and origination costs. Under this approach, the resulting allowance represents the expected net losses of recorded investment inherent in the portfolio. For loans classified as TDRs, impairment is measured based on the present value of expected future cash flows discounted at the original effective interest rate.

The Company maintains a general credit loss allowance for receivables from dealers based on risk ratings, and individually evaluates loans for specific impairment as necessary. As of September 30, 2016, the credit loss allowance for receivables from dealers is comprised of a general allowance of \$648.



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The activity in the credit loss allowance for individually acquired, dealer, and personal loans for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans
Balance — beginning of period	\$3,422,736	\$ 837	\$2,927,624	\$ 968	\$384,735
Provision for credit losses	609,396	(189 )	619,895	(42 )	105,813
Charge-offs	(1,246,760 )	—	(1,062,598 )	—	(499,010 )
Recoveries	615,913	—	497,778	—	8,462
Balance — end of period	\$3,401,285	\$ 648	\$2,982,699	\$ 926	\$—

  

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans
Balance — beginning of period	\$3,197,414	\$ 916	\$2,586,685	\$ 674	\$348,660
Provision for credit losses	1,787,277	(133 )	1,607,376	252	324,634
Charge-offs	(3,429,905 )	(135 )	(2,753,753 )	—	(695,918 )
Recoveries	1,846,499	—	1,569,508	—	22,624
Transfers to held-for-sale	—	—	(27,117 )	—	—
Balance — end of period	\$3,401,285	\$ 648	\$2,982,699	\$ 926	\$—

The impairment activity related to purchased receivables portfolios for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Balance — beginning of period	\$168,518	\$176,754	\$172,308	\$186,126
Incremental provisions for purchased receivable portfolios	—	175	—	475
Incremental reversal of provisions for purchased receivable portfolios	804	(2,675 )	(2,986 )	(12,347 )
Balance — end of period	\$169,322	\$174,254	\$169,322	\$174,254

The Company estimates lease losses on the capital lease receivable portfolio based on delinquency status and loss experience to date, as well as various economic factors. The activity in the lease loss allowance for capital leases for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Balance — beginning of period	\$12,752	\$15,570	\$19,878	\$9,589
Provision for lease losses	387	756	(1,669 )	14,758
Charge-offs	(5,712 )	(11,304 )	(28,267 )	(30,694 )
Recoveries	3,617	8,277	21,102	19,646
Balance — end of period	\$11,044	\$13,299	\$11,044	\$13,299

Delinquencies

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Retail installment contracts 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.

A summary of delinquencies on our retail installment contracts held for investment portfolio as of September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016		
	Retail Installment Contracts Held for Investment		
	Loans	Purchased	
	Acquired	Receivables	Total
	Individually Portfolios		
Principal, 31-60 days past due	\$2,536,940	\$ 14,879	\$2,551,819
Delinquent principal over 60 days	1,260,255	7,695	1,267,950
Total delinquent principal	\$3,797,195	\$ 22,574	\$3,819,769
	December 31, 2015		
	Retail Installment Contracts Held for Investment		
	Loans	Purchased	
	Acquired	Receivables	Total
	Individually Portfolios		
Principal, 31-60 days past due	\$2,454,986	\$ 30,442	\$2,485,428
Delinquent principal over 60 days	1,191,567	17,297	1,208,864
Total delinquent principal	\$3,646,553	\$ 47,739	\$3,694,292

The balances in the above tables reflect total unpaid principal balance rather than net recorded investment before allowance.

As of September 30, 2016 and December 31, 2015, there were no receivables from dealers that were 31 days or more delinquent.

FICO® Distribution — A summary of the credit risk profile of the Company's retail installment contracts held for investment by FICO® distribution, determined at origination, as of September 30, 2016 and December 31, 2015 was as follows:

FICO® Band	September 30, 2016	December 31, 2015
Commercial (a)	3.3%	4.0%
No-FICOs	12.4%	12.2%
<540	22.2%	23.4%
540-599	31.1%	30.9%
600-639	17.2%	17.3%
>640	13.8%	12.2%

(a) No FICO score is obtained on loans to commercial borrowers

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.

The Company's risk department performs a commercial analysis and classifies certain loans over an internal threshold based on the classifications above. Fleet loan credit quality indicators for retail installment contracts held for investment with commercial borrowers as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, December 31,	
	2016	2015
Pass	\$ 44,905	\$ 39,270
Special Mention	15,655	5,466
Substandard	990	—
Doubtful	—	—
Loss	139	—
Total (a)	\$ 61,689	\$ 44,736

(a) Fleet loans of \$849,373 and \$1,042,288 as of September 30, 2016 and December 31, 2015, respectively, were excluded from the commercial analysis as these loans did not meet the internal threshold for review.

Commercial loan credit quality indicators for receivables from dealers held for investment as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, December 31,	
	2016	2015
Pass	\$ 68,305	\$ 68,873
Special Mention	—	8,068
Substandard	2,061	—
Doubtful	—	—
Loss	—	—
Unpaid principal balance	\$ 70,366	\$ 76,941

#### 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 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, operating and capital leases, and loans held for sale, including personal loans, are excluded from the scope of the applicable guidance. As of September 30, 2016 and December 31, 2015, there were no receivables from dealers classified as a TDR.

For loans not classified as TDRs, the Company generally estimates an appropriate allowance for credit losses 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, it is assessed for impairment based on the present value of expected future cash flows discounted at the loan's original effective interest rate considering all available evidence. The table below presents the Company's TDRs as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
	Retail Installment Contracts	
Outstanding recorded investment	\$5,364,656	\$4,601,502
Impairment	(1,588,028 )	(1,363,023 )
Outstanding recorded investment, net of impairment	\$3,776,628	\$3,238,479

A summary of the Company's delinquent TDRs at September 30, 2016 and December 31, 2015, is as follows:

	September 30, 2016	December 31, 2015
	Retail Installment Contracts	
Principal, 31-60 days past due	\$1,089,212	\$942,021
Delinquent principal over 60 days	593,713	510,015
Total delinquent TDR principal	\$1,682,925	\$1,452,036

A loan that has been classified as a TDR remains so until the loan is liquidated through payoff or charge-off. Consistent with the Company's other retail installment contracts, TDRs are placed on nonaccrual status when the account becomes past due more than 60 days, and returns 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		
	September 30, 2016	September 30, 2015	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans
Average outstanding recorded investment in TDRs	\$5,213,132	\$4,380,037	\$16,991
Interest income recognized	\$207,115	\$211,354	\$1,002
	Nine Months Ended		
	September 30, 2016	September 30, 2015	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans
Average outstanding recorded investment in TDRs	\$4,940,280	\$4,302,078	\$17,150
Interest income recognized	\$576,682	\$542,679	\$2,220

The following table summarizes the financial effects of TDRs that occurred during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended		
	September 30, 2016	September 30, 2015	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans

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Outstanding recorded investment before TDR	\$929,871	\$845,057	\$ 5,270
Outstanding recorded investment after TDR	\$932,472	\$852,415	\$ 5,241
Number of contracts (not in thousands)	52,780	48,883	4,416

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	Nine Months Ended			
	September 30, 2016	Retail Installment Contracts	Retail Installment Contracts	Personal Loans
Outstanding recorded investment before TDR	\$2,463,409	\$2,606,384	\$15,048	
Outstanding recorded investment after TDR	\$2,478,035	\$2,627,451	\$14,961	
Number of contracts (not in thousands)	139,524	151,625	12,555	

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 the month in which the loan becomes greater than 120 days past due and for revolving personal loans is generally the month in which the receivable becomes greater than 180 days past due. Loan restructurings accounted for as TDRs within the previous twelve months that subsequently defaulted during the three and nine months ended September 30, 2016 and 2015 are summarized in the following table:

	Three Months Ended			
	September 30, 2016	Retail Installment Contracts	Retail Installment Contracts	Personal Loans
Recorded investment in TDRs that subsequently defaulted	\$206,247	\$213,945	\$2,145	
Number of contracts (not in thousands)	11,745	12,360	1,905	
	Nine Months Ended			
	September 30, 2016	Retail Installment Contracts	Retail Installment Contracts	Personal Loans
Recorded investment in TDRs that subsequently defaulted	\$565,724	\$567,213	\$5,346	
Number of contracts (not in thousands)	32,256	33,097	4,919	

## 5. Debt

## Revolving Credit Facilities

The following table presents information regarding credit facilities as of September 30, 2016 and December 31, 2015:

	September 30, 2016					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Warehouse line	January 2018	\$293,084	\$500,000	2.13%	\$414,103	\$—
Warehouse line (a)	Various	800,385	1,250,000	1.84%	1,087,050	36,383
Warehouse line (b)	July 2017	963,120	1,260,000	1.96%	1,097,091	47,186
Warehouse line (c)	July 2017	2,695,143	2,940,000	1.96%	4,097,792	70,008
Warehouse line (d)	December 2017	1,044,377	1,800,000	1.84%	1,448,568	27,601
Repurchase facility (e)	December 2016	762,440	762,440	2.65%	—	32,344
Repurchase facility (e)	April 2017	235,509	235,509	1.84%	—	—
Warehouse line	March 2018	669,399	1,000,000	1.42%	939,409	28,150
Warehouse line (f)	November 2016	175,000	175,000	2.08%	—	—
Warehouse line (f)	November 2016	250,000	250,000	2.08%	—	2,503
Warehouse line	June 2017	219,372	250,000	2.83%	417,953	38,791
Warehouse line	January 2018	191,400	400,000	2.06%	265,416	5,505
Total facilities with third parties		8,299,229	10,822,949		9,767,382	288,471
Lines of credit with Santander and related subsidiaries (g):						
Line of credit	December 2016	500,000	500,000	2.83%	—	—
Line of credit	December 2018	—	500,000	3.48%	—	—
Line of credit	December 2016	1,000,000	1,000,000	2.83%	—	—
Line of credit	December 2018	550,000	1,000,000	2.89%	—	—
Line of credit	March 2017	300,000	300,000	2.07%	—	—
Line of credit (h)	March 2019	—	1,500,000	3.53%	—	—
Total facilities with Santander and related subsidiaries		2,350,000	4,800,000		—	—
Total revolving credit facilities		\$10,649,229	\$15,622,949		\$9,767,382	\$288,471

(a) Half of the outstanding balance on this facility matures in March 2017 and half matures in March 2018.

(b) This line is held exclusively for financing of Chrysler Capital loans.

(c) This line is held exclusively for financing of Chrysler Capital leases.

(d) On November 4, 2016, the maturity date of this facility was extended to October 2018.

(e) These repurchase facilities are collateralized by securitization notes payable retained by the Company. These facilities have rolling maturities of up to one year.

(f) These lines are collateralized by residuals retained by the Company.

(g)

These lines generally are also collateralized by securitization notes payable and residuals retained by the Company. As of September 30, 2016 and December 31, 2015, \$1,800,000 and \$1,420,584 of the aggregate outstanding balances on these facilities were unsecured.

(h) On November 1, 2016, this facility was amended to increase the committed amount to \$3,000,000.

	December 31, 2015					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Warehouse line	June 2016	\$378,301	\$500,000	1.48%	\$535,737	\$—
Warehouse line	Various	808,135	1,250,000	1.29%	1,137,257	24,942
Warehouse line	July 2017	682,720	1,260,000	1.35%	809,185	20,852
Warehouse line	July 2017	2,247,443	2,940,000	1.41%	3,412,321	48,589
Warehouse line	December 2017	944,877	2,000,000	1.56%	1,345,051	32,038
Repurchase facility	December 2016	850,904	850,904	2.07%	—	34,166
Warehouse line	September 2017	565,399	1,000,000	1.20%	824,327	15,759
Warehouse line	November 2016	175,000	175,000	1.90%	—	—
Warehouse line	November 2016	250,000	250,000	1.90%	—	2,501
Total facilities with third parties		6,902,779	10,225,904		8,063,878	178,847
Lines of credit with Santander and related subsidiaries:						
Line of credit	December 2016	500,000	500,000	2.65%	—	—
Line of credit	December 2018	—	500,000	3.48%	—	—
Line of credit	December 2016	1,000,000	1,750,000	2.61%	—	—
Line of credit	December 2018	800,000	1,750,000	2.84%	—	—
Line of credit	March 2017	300,000	300,000	1.88%	—	—
Total facilities with Santander and related subsidiaries		2,600,000	4,800,000		—	—
Total revolving credit facilities		\$9,502,779	\$15,025,904		\$8,063,878	\$178,847
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, Santander provides the Company with \$3,000,000 of long-term committed revolving credit facilities. Through SHUSA, Santander provides the Company with an additional \$300,000 of committed revolving credit, collateralized by residuals retained on the Company's own securitizations, and \$1,500,000 of committed revolving credit that can be drawn on an unsecured basis.

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. 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, 2016 and December 31, 2015:

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September 30, 2016						
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2012 Securitizations	September 2018	\$247,325	\$2,525,540	0.92%-1.23%	\$368,558	\$77,598
2013 Securitizations	January 2019 - March 2021	1,375,371	6,689,700	0.89%-1.59%	1,712,149	237,995
2014 Securitizations	February 2020 - January 2021	1,903,310	6,391,020	1.16%-1.72%	2,674,446	269,996
2015 Securitizations	September 2019 - January 2023	4,855,706	9,317,032	1.33%-2.29%	6,476,951	514,289
2016 Securitizations	April 2022 - August 2023	3,982,411	4,942,980	1.72%-2.46%	5,100,728	281,603
Securitizations (a)		12,364,123	29,866,272		16,332,832	1,381,481
2010 Private issuances (b)	June 2011	128,476	516,000	1.29%	228,386	6,867
2011 Private issuances	December 2018	457,608	1,700,000	1.46%	727,553	37,493
2013 Private issuances	September 2018-September 2020	2,859,166	2,693,754	1.13%-1.38%	4,766,571	160,560
2014 Private issuances	March 2018 - December 2021	842,840	3,271,175	1.05%-1.40%	1,375,245	69,345
2015 Private issuances	December 2016 - July 2019	2,043,306	2,605,062	0.88%-2.81%	1,983,380	114,398
2016 Private issuances	May 2020 - June 2023	2,455,147	2,750,000	1.55%-2.86%	3,383,824	74,441
Privately issued amortizing notes		8,786,543	13,535,991		12,464,959	463,104
Total secured structured financings		\$21,150,666	\$43,402,263		\$28,797,791	\$1,844,585

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

(b) Securitization was subsequently amended to extend the maturity date to June 2017.

December 31, 2015						
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2012 Securitizations	September 2018	\$433,771	\$2,525,540	0.92%-1.23%	\$580,581	\$84,231
2013 Securitizations	January 2019 - January 2021	2,000,915	6,689,700	0.89%-1.59%	2,577,552	267,623
2014 Securitizations	February 2020 - January 2021	2,956,273	6,391,020	1.16%-1.72%	3,894,365	313,356
2015 Securitizations	September 2019 - January 2023	7,269,037	9,317,032	1.33%-2.29%	9,203,569	577,647
Securitizations		12,659,996	24,923,292		16,256,067	1,242,857
2010 Private issuances	June 2011	108,201	516,000	1.29%	240,026	6,855
	December 2018	708,884	1,700,000	1.46%	1,142,853	50,432

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2011 Private issuances						
2013 Private issuances	September 2018-September 2020	2,836,420	2,693,754	1.13%-1.38%	4,311,481	143,450
2014 Private issuances	March 2018 - December 2021	1,541,970	3,271,175	1.05%-1.40%	2,192,495	95,325
2015 Private issuances	November 2016 - May 2020	3,017,429	3,548,242	0.88%-2.81%	3,608,497	161,778
Privately issued amortizing notes		8,212,904	11,729,171		11,495,352	457,840
Total secured structured financings		\$20,872,900	\$36,652,463		\$27,751,419	\$1,700,697

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. The Company's securitizations and private issuances are collateralized by vehicle retail installment contracts and loans or leases. As of September 30, 2016 and December 31, 2015, the Company had private issuances of notes backed by vehicle leases totaling \$4,313,052 and \$3,228,240, respectively.

Unamortized debt issuance costs are amortized as interest expense over the terms of the related notes payable using the effective interest method and are classified as a discount to the related recorded debt balance. For securitizations, the term takes into consideration the expected execution of the contractual call option, if applicable. Amortization of premium or accretion of discount on acquired notes payable is also included in interest expense using 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, 2016 and 2015 was \$108,720 and \$76,787, respectively. Total interest expense on secured structured financings for the nine months ended September 30, 2016 and 2015 was \$305,677 and \$207,967, respectively.

#### 6. Variable Interest Entities

The Company transfers retail installment contracts and leased vehicles into newly formed Trusts that 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 the assets and, generally, through holding residual interests in the Trusts. These transactions are structured without recourse. The Trusts are considered VIEs under U.S. GAAP and, when the Company holds the residual interest, are consolidated because the Company has: (a) power over the significant activities of each entity as servicer of its financial assets and (b) through 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 each VIE that are potentially significant to the VIE. When the Company does not retain any debt or equity interests in its securitizations or subsequently sells such interests, it records these transactions as sales of the associated retail installment contracts.

The collateral, borrowings under credit facilities and securitization notes payable of the Company's consolidated VIEs remain on the condensed consolidated balance sheets. The Company recognizes finance charges, fee income, and provision for credit losses on the retail installment contracts, and leased vehicles and interest expense on the debt. 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.

Revolving credit facilities generally also utilize Trusts that are considered VIEs.

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 the sale of leases to other parties without incurring the costs and administrative burden of retitling the leased vehicles. This titling trust is considered a VIE.

#### On-balance sheet variable interest entities

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, 2016 and December 31, 2015, the Company was servicing \$28,459,531 and \$27,995,907, 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, 2016 and 2015, is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Assets securitized	\$2,043,114	\$ 4,761,341	\$ 12,026,706	\$ 14,828,478
Net proceeds from new securitizations (a)	\$ 1,688,822	\$ 3,840,369	\$ 9,509,135	\$ 11,816,224
Net proceeds from sale of retained bonds	—	—	128,798	—
Cash received for servicing fees (b)	200,634	182,960	595,070	518,563
Net distributions from Trusts (b)	776,306	486,377	2,167,512	1,558,772
Total cash received from Trusts	\$ 2,665,762	\$ 4,509,706	\$ 12,400,515	\$ 13,893,559

(a) Includes additional advances on existing securitizations.

(b) These amounts are not reflected in the accompanying condensed consolidated statements of cash flows because these cash flows are intra-company and eliminated in consolidation.

#### Off-balance sheet variable interest entities

The Company has completed sales to VIEs that met 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 condensed consolidated balance sheets. In certain situations, the Company remains the servicer of the financial assets and receives servicing fees that represent adequate compensation, and may reacquire assets from the Trusts through the exercise of an optional clean-up call, as permitted through the respective servicing agreements. 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, 2016, the Company executed no off-balance sheet securitizations with VIEs with which it has continuing involvement. During the three and nine months ended September 30, 2015, the Company sold zero and \$768,561 respectively, of gross retail installment contracts to a VIE in an off-balance sheet securitization. As of September 30, 2016 and December 31, 2015, the Company was servicing \$2,313,773 and \$3,897,223, respectively, of gross retail installment contracts that have been sold in off-balance sheet securitizations and were subject to an optional clean-up call. 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 off-balance sheet securitization trusts during the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Receivables securitized	\$—	\$ —	\$—	\$ 768,561
Net proceeds from new securitizations	\$—	\$ —	\$—	\$ 785,983
Cash received for servicing fees	10,027	5,955	38,885	17,578
Total cash received from securitization trusts	\$ 10,027	\$ 5,955	\$ 38,885	\$ 803,561

#### 7. Derivative Financial Instruments

The Company manages its exposure to changing interest rates using derivative financial instruments. In certain circumstances, the Company is required to hedge its interest rate risk on its secured structured financings and the borrowings under its revolving credit facilities. The Company uses both interest rate swaps and interest rate caps to satisfy these requirements and to hedge the variability of cash flows on securities issued by securitization Trusts and borrowings under the Company's warehouse facilities. Certain of the Company's interest rate swap agreements are designated as cash flow hedges for accounting purposes. Changes in the fair value of derivatives designated as cash

flow hedges are recorded as a component of accumulated other comprehensive income (AOCI), to the extent that the hedge relationships are effective, and amounts are reclassified from AOCI to earnings as the forecasted transactions impact earnings. Ineffectiveness, if any, associated with changes in the fair value of derivatives designated as cash flow hedges is recorded currently in earnings.

The Company's remaining interest rate swap agreements, as well as its interest rate cap agreements and the corresponding options written in order to offset the interest rate cap agreements and a total return settlement agreement are not designated as hedges for accounting purposes. Changes in the fair value of derivative instruments not designated as hedges for accounting purposes are reflected in earnings.

The underlying notional amounts and aggregate fair values of these agreements at September 30, 2016 and December 31, 2015, were as follows:

	September 30, 2016		December 31, 2015	
	Notional	Fair Value	Notional	Fair Value
Interest rate swap agreements designated as cash flow hedges	\$8,849,800	\$(43,571)	\$9,150,000	\$1,706
Interest rate swap agreements not designated as hedges	1,241,600	(3,262)	2,399,000	(1,306)
Interest rate cap agreements	9,824,251	11,709	10,013,912	32,951
Options for interest rate cap agreements	9,824,251	(11,794)	10,013,912	(32,977)
Total return settlement	658,471	(29,864)	1,404,726	(53,432)

The aggregate fair value of the interest rate swap agreements is included on the Company's condensed consolidated balance sheets in other assets or other liabilities, as appropriate. The interest rate cap agreements are included in other assets, and the related options in other liabilities, on the Company's condensed consolidated balance sheets. See Note 13 for additional disclosure of fair value and balance sheet location of the Company's derivative financial instruments.

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, 2016 and December 31, 2015.

The Company is obligated to make purchase price holdback payments on a periodic basis to a third-party originator of loans that the Company has purchased, when losses are lower than originally expected. The Company also is obligated to make total return settlement payments to this third-party originator in 2016 and 2017 if returns on the purchased loans are greater than originally expected. As of September 30, 2016, all purchase price holdback payments, and all total return settlement payments due in 2016, have been made. These purchase price holdback payments and total return settlement payments are considered to be derivatives, collectively referred to herein as "total return settlement," and accordingly are marked to fair value each reporting period.

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 ISDA master agreements. The Company has elected to present derivative balances on a gross basis even if the derivative is subject to a legally enforceable master netting (ISDA) agreement. Collateral that is received or pledged for these transactions is disclosed within the "Gross amounts not offset in the Condensed Consolidated Balance Sheet" section of the tables below. Information on the offsetting of derivative assets and derivative liabilities due to the right of offset was as follows, as of September 30, 2016 and December 31, 2015:

