2019 ANNUAL REPORT

CHRYSLER CAPITAL

RoadLoans.com

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2019

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

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)

(214) 634-1110
Registrant's telephone number, including area code

Not Applicable
(Former name, former address, and formal fiscal year, if changed since last report)

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Stock ($0.01 par value)	**SC**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of June 30, 2019, the Registrant's common stock, par value $0.01 per share, held by non-affiliates had an aggregate market value of approximately $2.5 billion based on the closing price on that date on the New York Stock Exchange of $23.96 per share.

As of February 20, 2020, the Registrant had 339,212,392 shares of common stock, par value 0.01 per share, outstanding.

Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement to its 2020 annual meeting of stockholders (the Proxy Statement) are incorporated by reference into Part III of the Annual Report on Form 10-K where indicated.

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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 Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements about the Company’s 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,” “intends,” and similar words or phrases. Although the Company believes 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 the Company’s control. Among the factors that could cause the Company’s actual performance to differ materially from those suggested by the forward-looking statements are:

- our agreement with FCA may not result in currently anticipated levels of growth and is subject to certain conditions that could result in termination of the agreement;
- our ability to remediate any material weaknesses in internal controls over financial reporting completely and in a timely manner;
- 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;
- significant risks we face implementing our growth strategy, some of which are outside our control;
- unexpected costs and delays in connection with exiting our personal lending business;
- 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;
- certain regulations, including but not limited to oversight by the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB), the European Central Bank (ECB), and the Federal Reserve Bank of Boston (FRBB), whose oversight and regulation may limit certain of our activities, including the timing and amount of dividends and other limitations on our business;
- future changes in our relationship with SHUSA and Banco Santander that could adversely affect our operations; and
- the other factors that are described in Part I, Item IA — Risk Factors of this Annual Report on Form 10-K.

If one or more of the factors affecting the Company’s forward-looking information and statements renders forward-looking information or statements incorrect, the Company’s actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements.

Therefore, the Company cautions 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 the Company’s results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties as new factors emerge from time to time. Management cannot assess the impact of any such factor on the Company’s 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 the Company undertakes 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 the Company are expressly qualified by these cautionary statements.

Glossary

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

ABS	Asset-backed securities
Advance Rate	The maximum percentage of collateral that a lender is willing to lend.
Affiliates	A party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity.
ALG	Automotive Lease Guide
Amendment	Amendment to the Chrysler Agreement with FCA, dated June 28, 2019.
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
CBP	Citizens Bank of Pennsylvania
CCAP	Chrysler Capital
CCART	Chrysler Capital Auto Receivables Trust, a securitization platform
CEO	Chief Executive Officer
CFPB	Consumer Financial Protection Bureau
CFO	Chief Financial Officer
Chrysler Agreement	Ten-year master 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 5% or 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
DCF	Discounted Cash Flow Analysis
Dealer Loan	A Floorplan Loan, 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
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCA	FCA 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 dealer inventory until sold

Federal Reserve Board	Board of Governors of the Federal Reserve System
FRBB	Federal Reserve Bank of Boston
FTC	Federal Trade Commission
GAP	Guaranteed Auto Protection
GAAP	U.S. Generally Accepted Accounting Principles
IPO	SC's Initial Public Offering
ISDA	International Swaps and Derivative Association
Managed Assets	Managed assets included assets (a) owned and serviced by the Company; (b) owned by the Company and serviced by others; and (c) serviced for others
Nonaccretable Difference	The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows of a portfolio acquired with deteriorated credit quality
OCC	Office of the Comptroller of the Currency
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
PSRT	Private Santander Retail Auto Lease Trust, a lease securitization platform
RC	The Risk Committee of the Board
Remarketing	The controlled disposal of vehicles at the end of the lease term or upon early termination or of financed vehicles obtained through repossession and their subsequent sale
Residual Value	The future value of a leased asset at the end of its lease term
Retail installment contracts	Includes retail installment contracts individually acquired or originated by the Company and purchased non-credit impaired finance receivables
RSU	Restricted stock unit
SAF	Santander Auto Finance
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
SCI	Santander Consumer International Puerto Rico, LLC, a wholly-owned subsidiary of SC Illinois
SC Illinois	Santander Consumer USA Inc., an Illinois corporation and wholly-owned subsidiary of SC
SCRA	Servicemembers Civil Relief Act
SDART	Santander Drive Auto Receivables Trust, a securitization platform
SEC	U.S. Securities and Exchange Commission
SHUSA	Santander Holdings USA, Inc., a wholly-owned subsidiary of Santander and the majority stockholder of SC
SPAIN	Santander Prime Auto Issuing Note Trust, a securitization platform
SRT	Santander Retail Auto Lease Trust, a lease securitization platform
SREV	Santander Revolving Auto Loan Trust, a securitization platform

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
VIE	Variable Interest Entity
Warehouse Line	A revolving line of credit generally used to fund finance receivable originations

PART I

ITEM I. BUSINESS

General

The Company was formed in 2013 as a corporation in the state of Delaware and is the holding company for SC Illinois, a specialized consumer finance company focused on vehicle finance and third-party servicing. The Company's primary business is the indirect origination and servicing of retail installment contracts and leases, principally through manufacturer-franchised dealers in connection with their sale of new and used vehicles to retail consumers. Santander Auto Finance (SAF) is our primary vehicle brand and is available as a finance option for automotive dealers across the United States.

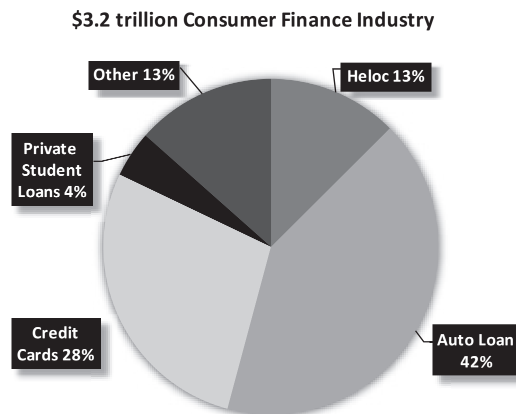
Since May 2013, under the Chrysler Agreement with FCA, the Company has operated as FCA's preferred provider for consumer loans, leases and Dealer Loans and provide services to FCA customers and dealers under the Chrysler Capital (CCAP) brand. These products and services include consumer retail installment contracts and leases, as well as Dealer Loans for inventory, construction, real estate, working capital and revolving lines of credit. On June 28, 2019, the Company entered into an Amendment to the Chrysler Agreement with FCA, which modified the Chrysler Agreement to, among other things, adjust certain performance metrics, exclusivity commitments and payment provisions. The Amendment also terminated the previously disclosed tolling agreement, dated July 11, 2018, between the Company and FCA.

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 other relationships through which it holds other consumer finance products. However, in 2015, the Company announced its exit from personal lending, and accordingly, all of its personal lending assets are classified as held for sale at December 31, 2019.

As of February 20, 2020, the Company was owned approximately 72.4% by SHUSA, a wholly-owned subsidiary of Santander, and approximately 27.6% by other shareholders.

The Company's Markets

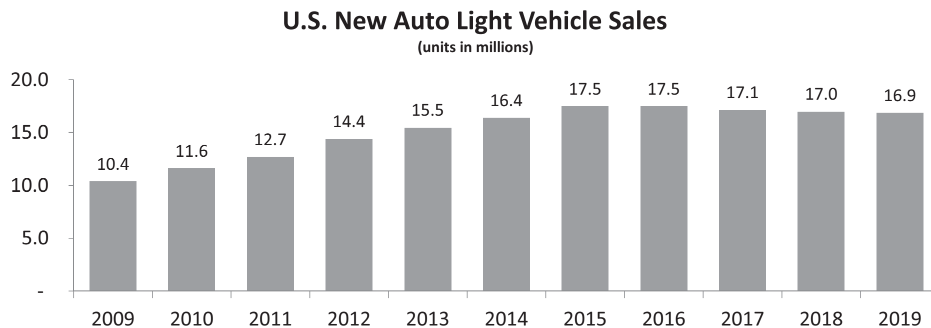
The consumer finance industry in the United States has approximately $3.2 trillion of outstanding borrowings as of December 31, 2019 and includes vehicle loans and leases, credit cards, home equity lines of credit, private student loans, and personal loans.



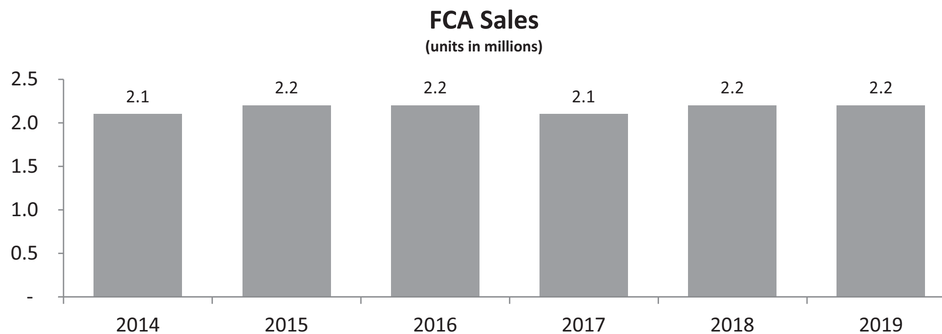
Sources: Federal Reserve Bank of New York; Consumer Financial Protection Bureau

The Company's primary focus is the vehicle finance segment of the U.S. consumer finance industry. Vehicle finance includes loans and leases taken out by consumers to fund the purchase of new and used automobiles, as well as other vehicles such as marine and recreational vehicles. Within the vehicle finance segment, the Company maintains a strong presence in the auto finance market. The auto finance market is an efficient pricing market and it is highly fragmented, with no individual lender accounting for more than 10% of total market share. As of December 31, 2019, there were approximately $1.3 trillion of auto loans outstanding in the United States.

The Company has a significant portfolio of prime loans and leases serviced for others, as it typically originates and then sells prime assets with servicing rights retained. Through the CCAP brand, the Company's focus is on the new auto finance space by providing financing for the acquisition of new FCA vehicles. The Company also originates leases, substantially all of which are extended to prime borrowers. In 2019, there were $16.9 million new cars sold in the U.S. Through the third quarter of 2019, approximately 85% of total new auto sales were financed. Future growth of new auto sales in the United States, and the parallel growth of consumer loans and leases to finance those sales, are driven by improving economic conditions, new automobile product offerings, and the need to replace aging automobiles. CCAP loan and lease growth will be driven by the volume of new FCA vehicles sold in the United States.



Source: Ward's Automotive Reports; U.S. Department of Commerce: Bureau of Economic Analysis

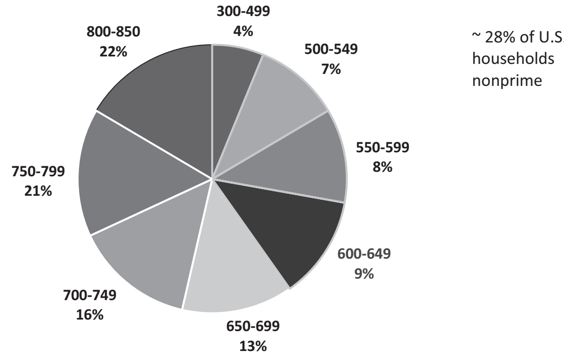


Source: FCA US LLC

In addition, the Company is a leading originator of nonprime auto loans. Although the Company originates both prime and nonprime vehicle loans, it maintains on its balance sheet primarily nonprime loans. National and regional banks have historically been the largest originators of used and nonprime vehicle loans and leases due to their broad geographic footprint and wide array of vehicle finance products. The Company primarily competes against national and regional banks, as well as automobile manufacturers' captive finance businesses, to originate loans and leases to finance consumers' purchases of new and used cars.

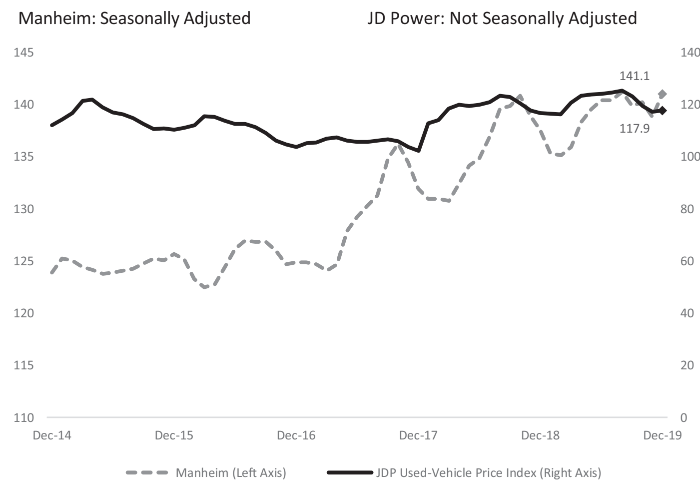
Most loans in the used auto finance space are extended to nonprime consumers, who comprise a significant portion of the U.S. population. Of the more than 300 million Americans with a credit history, 28% have Fair

Isaac Corporation (FICO®) scores below 650. Although nonprime auto loans typically produce higher losses than prime loans, the Company's data-driven approach, extensive experience, and adaptive platform enhance the Company's ability to estimate future cash flows and effectively price loans for their inherent risk.



Source: FICO ® Banking Analytics Blog Fair
Note: Nonprime based on FICO ® Score <650

Historically, used car financing has made up a majority of the Company's business. Through the third quarter of 2019, used automobiles accounted for 65% of total automobiles sold in the United States, and approximately 55% of used car purchases were financed. The primary metrics used by the market to monitor the strength of the used car market are the Manheim Used Vehicle Index and J.D. Power Price Index, measures of wholesale used car prices adjusted by their mileage or vintage. The projected average age of U.S. autos in 2019 increased to a record high of 11.8 years. As of December 31, 2019, used car financing represented 57% of the Company's outstanding retail installment contracts, of which 81% consisted of nonprime auto loans.



Source: Manheim Inc., as of December 31, 2019 & JP Power used-Vehicle Price Index, as of December 31, 2019

Note: Indexed to a basis of 100 at 1995 levels.

In 2015, the Company made a strategic decision to exit the personal lending market to focus on its core objectives of expanding the reach and realizing the full value of its vehicle finance and serviced for others platforms. The Company believes this shift will create other opportunities, such as diversifying funding sources and growing capital. Since 2016, the Company has marketed its personal lending assets to potential buyers. In

2016 and 2017, the Company completed a sale of all assets from its personal lending portfolio to an unrelated third party, which was comprised solely of LendingClub installment loans. As the Company refocuses on core objectives, it continues to perform under various other agreements under which specified volumes of personal loans originated by third parties are purchased.

In both the vehicle finance and personal lending markets, the Company generates originations indirectly and directly. The indirect model requires relationships with third parties who are generally active in the market, are looking for an additional source of financing for their customers, and agree to direct certain customers to the Company. The direct model requires an internally-managed platform through which consumers are able to make requests for credit directly to the Company. While the Company has historically focused on the indirect model, it has a presence in the direct vehicle finance market through the RoadLoans.com platform. Additionally, the Company continues to develop relationships with third parties to further broaden its origination channels.

The Company's Business Strategy

The Company's primary goal is to create stockholder value by leveraging its efficient, scalable platforms and risk infrastructure and data to underwrite, originate and service profitable assets while treating customers, dealers, stockholders, employees and all stakeholders in a simple, personal and fair manner.

Expand the Company's Vehicle Finance Franchise

Organic Growth in Indirect Auto Finance. The Company has extensive data on and experience with consumer behavior across the full credit spectrum and is a key player in the U.S. vehicle finance market. The Company expects to continue to increase market penetration in the vehicle finance sector, subject to favorable market conditions, via the number and depth of its dealer relationships. The Company plans to achieve this growth in part through alliance programs with national, regional and digital vehicle dealer groups and manufacturers, in both the prime and nonprime vehicle finance markets. The Company's technology-based platform enables the Company to integrate seamlessly with other originators and industry participants.

Growth in Direct-to-Consumer Exposure. The Company is working to further diversify its vehicle finance product offerings by expanding its web-based, direct-to-consumer offerings. The Company is focused on engaging the consumer at the early stages of the car buying experience. The company will continue to focus on securing relationships with additional vehicle-related websites, in order to promote RoadLoans.com for financing and provide additional direct-to-consumer offerings.

Expansion of Fee-Based Income Opportunities. The Company seeks opportunities to leverage its mature and highly adaptable servicing platform for both prime and nonprime loans, as well as other vehicle finance (including recreational and marine vehicles) and personal lending products. The Company collects fees to service loan portfolios, and handles both secured and personal loan products across the full credit spectrum. Loans and leases sold to or sourced to banks through flow agreements and off-balance sheet securitizations also provide additional opportunities to service large vehicle loan and lease pools. The Company intends to continue to expand fee-based income opportunities through its relationship with Santander and other consumer financial institutions.

The Company's Products and Services

The Company offers vehicle-related financing products, primarily consisting of consumer loans and leases, and servicing of those assets.

Consumer Vehicle Loans

The Company's primary business is to indirectly originate vehicle loans through automotive dealerships throughout the United States. The Company has a substantial dealer network, most of which consists of

manufacturer-affiliated or large and reputable independent dealers. The Company uses a risk-adjusted methodology to determine the price to pay the automotive dealer for a loan, which may be above or below the principal amount of the loan depending on characteristics such as the contractual annual percentage rate (APR) and the borrower's credit profile. The consumer is obligated to make payments in an amount equal to the principal amount of the loan plus interest at the APR negotiated with the dealer. The consumer is also responsible for charges related to past-due payments. Dealers may retain some portion of the finance charge as compensation. The Company's agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although the Company does not own the vehicles it finances through loans, it holds a perfected security interest in those vehicles. Loans with below-market APRs are frequently offered through manufacturer incentive programs. The manufacturer will compensate the originator of these loans for the amount of the financing rate that is below market. These payments are called rate subvention. The Company is entitled to receive rate subvention payments from FCA as its preferred provider through the Chrysler Agreement.

The Company also originates loans through its branded online RoadLoans.com platform. Additionally, the Company acquires loans in bulk from third parties. The loans acquired in bulk acquisitions have primarily been collateralized by automobiles. However, historically, a small amount of such loans have been collateralized by marine and recreational vehicles. The Company generates revenue on these loans through finance charges.

Vehicle Leases

The Company acquires leases primarily from FCA-affiliated automotive dealers and, as a result, becomes titleholder for leased vehicles. The acquisition cost for these leases is based on the underlying value of the vehicle, the contractual lease payments and the residual value, which is the expected future value of the vehicle at the time of the lease termination. The Company uses projected residual values that are estimated by third parties, such as Automotive Lease Guide (ALG) and internal forecasts based on current market conditions, and other relevant data points. The residual value used to determine lease payments, or the contractual residual value, may be adjusted upward as part of marketing incentives provided by the manufacturer of the vehicle. When a contractual residual value is written up, the lease payments the Company offers become more attractive to consumers. The marketing incentive payment that manufacturers pay the Company is equal to the expected difference between the projected residual value and the contractual residual value. This residual support payment is a form of subvention. The Company is a preferred provider of subvented leases through CCAP. Substantially all of these leases are to prime consumers. The consumer, or lessee, is responsible for the contractual lease payments and any excessive mileage or wear and tear on the vehicle that results in a lower residual value of the vehicle at the time of the lease's termination. The consumer is also generally responsible for charges related to past due payments. The Company's leases are primarily closed-ended, meaning the consumer does not bear the residual risk.

The Company generates revenue on leases through monthly lease payments and fees and, depending on the market value of the off-lease vehicle, the Company may recognize a gain or loss upon lease-end. The Company's agreement with FCA permits the Company to share any residual gains or losses over a threshold, determined on an individual lease basis, with FCA.

Servicing for Others

The Company services a portfolio of vehicle loans originated or otherwise independently acquired by SBNA and loans sold by the Company to Santander or other financial institutions. The Company also services loans sold through flow agreements, through CCAP off-balance sheet securitizations and from other loan portfolios for various third-party institutions. The Company generates revenue on these assets through servicing and other fees collected from the institutional owners and the borrowers, and may also generate a gain or loss on the sale of assets. The Company intends to continue growing this off-balance sheet portfolio and the stream of revenue it provides.

Origination and Servicing

Vehicle Finance

The Company's origination platform delivers automated 24/7 underwriting decision-making through a proprietary credit-scoring system designed to provide consistency and efficiency. Every loan application received is processed by the Company's credit scoring system. The Company's credit- scoring system is supported by an extensive market database that includes multiple years of historical data on the loans that the Company has acquired as well as extensive consumer finance third-party data. The Company continuously evaluates loan performance and consumer behavior to improve underwriting decisions. The Company's systems are intended to be readily adaptable and scalable, with the ability to quickly implement changes in pricing and scoring credit policy rules and modify underwriting standards to match the economic environment. The Company's credit-scoring system supports underwriting decisions for consumers across the full credit spectrum and has been designed to allow the Company to maximize modeled risk-adjusted yield for a given consumer's credit profile.

The Company has built a servicing approach based on years of experience for both loans and leases. The Company's servicing activities consist largely of processing customer payments, responding to customer inquiries (such as requests for payoff quotes or complaints), processing customer requests for account revisions (such as payment deferrals), seeking to maintain a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, pursuing collection of delinquent accounts, and remarketing repossessed or off-lease vehicles. The Company has made significant investments in staffing and servicing systems technology intended to make servicing activities compliant with federal and local consumer lending rules in all jurisdictions in which we operate.

Through its servicing platform, the Company seeks to maximize collections while providing outstanding customer service. The Company's servicing practices are closely integrated with the originations platform, resulting in an efficient exchange of customer related data, market information and understanding of the latest trends in consumer behavior. The customer account management process is model-driven and utilizes predictive customer service and collection strategies. The Company validates its models with data back-testing and can be adjusted to reflect new information received throughout the Company, such as new vehicle loan and lease applications, refreshed consumer credit data, and consumer behavior observed through servicing operations. The Company's robust processes and sophisticated technology support the servicing platform to maximize efficiency, consistent loan treatment, and cost control.

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

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

Most of the Company's servicing processes and quality-control measures serve a dual purpose in that they are both designed to ensure that the Company complies with applicable laws and regulations and that the Company delivers the best possible customer service. Additionally, the servicing platform and all of the features offered to customers are scalable and can be tailored through statistical modeling and automation.

The Company's Relationship with FCA

The Company entered into the Chrysler Agreement, pursuant to which the Company became the preferred provider for FCA's consumer loans and leases and Dealer Loans, in May 2013. Business generated under terms of the Chrysler Agreement is branded as CCAP. During 2019, the Company originated more than $12.8 billion of CCAP retail installment contracts and approximately $8.5 billion of CCAP vehicle leases.

The Chrysler Agreement requires, among other things, that the Company bear the risk of loss on loans originated pursuant to the agreement, but also that FCA share in residual gains and losses from consumer leases over a threshold, determined on an individual lease basis. The Chrysler Agreement also requires that Santander maintain at least $5.0 billion in funding available for dealer inventory financing and $4.5 billion of financing dedicated to FCA retail financing. In turn, FCA must provide designated minimum threshold percentages of its subvention business to the Company.

On June 28, 2019, the Company entered into an Amendment to the Chrysler Agreement with FCA, which modified the Chrysler Agreement to, among other things, adjust certain performance metrics, exclusivity commitments and payment provisions. The Amendment also established an operating framework that is mutually beneficial for both parties for the remainder of the contract.

In connection with entering into the Chrysler Agreement, the Company paid FCA a $150 million upfront, nonrefundable fee on May 1, 2013. The fee is considered payment for future profits generated from the Chrysler Agreement and is being amortized into finance and other interest income over a ten-year term. In addition, in June 2019, in connection with the execution of the sixth amendment to the Chrysler Agreement, the Company paid $60 million upfront fee to FCA This fee is being amortized into finance and other interest income over the remaining term of the Chrysler Agreement. The Company has also executed an Equity Option Agreement with FCA, whereby FCA may elect to purchase, at any time during the term of the Chrysler Agreement, at fair market value, an equity participation of any percentage in the CCAP portion of the Company's business.

Flow Agreements

Until 2017, the Company had a flow agreement with Bank of America whereby the Company was committed to selling up to $300,000 of eligible loans to the bank each month. The company no longer sells loans to the bank

under the flow agreement, but the Company retained servicing on all previously-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.

Until 2017, the Company sold loans to CBP under terms of a flow agreement and predecessor sale agreements. The Company no longer sells loans to CBP under the flow agreement, but, the Company retained servicing on the previously-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. Loss-sharing payments are due the month in which net losses exceed the established threshold of each loan sale.

SBNA Originations Program

Beginning in 2018, the Company agreed to provide SBNA with origination support services in connection with the processing, underwriting and purchase of retail auto loans, primarily from FCA dealers. In addition, the Company agreed to perform the servicing for any loans originated on SBNA's behalf.

Subsidiaries

The Company has two principal consolidated wholly-owned subsidiaries: Santander Consumer USA Inc. and Santander Consumer International Puerto Rico, LLC (a wholly-owned subsidiary of Santander Consumer USA Inc.).

Employees

At December 31, 2019, the Company had approximately 5,175 employees, none of whom is represented by a collective bargaining agreement.

Seasonality

The Company's origination volume is generally highest in March and April each year due to consumers receiving tax refunds, which provides additional discretionary income. The Company's delinquencies are generally highest in the period from November through January due to consumers' holiday spending, which reduces income available for car payments.

Intellectual Property

The Company has the right to use the Santander name on the basis of a non-exclusive, royalty-free, and non-transferable license from Santander, which only extends to uses in connection with the Company's current and future operations within the United States. Santander may terminate the license at any time Santander ceases to own, directly or indirectly, 50% or more of the Company's common stock.

In connection with the Company's agreement with FCA, the Company has been granted a limited, non-exclusive, non-transferable, royalty-free license to use certain FCA trademarks, including the term "Chrysler Capital". The Company is required to adhere to specified guidelines and other usage instructions related to these trademarks, as well as to obtain prior written approval of any materials, including financing documents and promotional materials, using the trademarks. This license does not grant the Company any ownership rights in FCA's trademarks.

In connection with the 2008 acquisition of Roadloan.com, a direct-to-consumer online platform, the Company purchased the "Roadloan.com" trade name which constitutes an intellectual property right.

Competition

The automotive finance industry is highly competitive. The Company competes on the pricing offered on loans and leases as well as the customer service provided to automotive dealer customers. Pricing for these loans and leases is transparent because the Company, along with industry competitors, posts pricing for loans and leases on web-based credit application aggregation platforms. When dealers submit applications for consumers acquiring vehicles, they can compare the Company's pricing against competitors' pricing. Dealer relationships are important in the automotive finance industry. Vehicle finance providers tailor product offerings to meet each individual dealer's needs.

The Company seeks to compete effectively through its proprietary credit-scoring system and industry experience, which are used to establish appropriate risk pricing. In addition, the Company benefits from FCA subvention programs through the Chrysler Agreement. The Company seeks to develop strong dealer relationships through a nationwide sales force and a long history in the automotive finance space. Further, the Company expects to continue deepening dealer relationships through the CCAP product offerings.

The Company's primary competitors in the vehicle finance space are:

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

While the used car financing market is fragmented with no single lender accounting for more than 10% of the market, there are a number of competitors in both the new and used car markets that have substantial positions nationally or in the markets in which they operate. Some of the Company's competitors may have lower cost structures, or funding costs, and be less reliant on securitizations. The Company believes it can compete effectively by continuing to expand and deepen its relationships with dealers. In addition, through its CCAP brand, the Company benefits from FCA's subvention programs and relationships with its dealers.

Supervision and Regulation

The U.S. lending industry is highly regulated under various federal laws, including the Truth-in-Lending Act (TILA); Equal Credit Opportunity Act (ECOA), Electronic Fund Transfer Act (EFTA), Fair Credit Reporting Act (FCRA), Fair Debt Collection Practices Act (FDCPA), Consumer Leasing Act, Servicemembers Civil Relief Act (SCRA), Telephone Consumer Protection Act, Financial Institutions Reform, Recovery, and Enforcement Act, Dodd-Frank Act and Gramm-Leach-Bliley Act (GLBA), as well as various state laws. The Company is subject to inspections, examinations, supervision, and regulation by the Securities and Exchange Commission (SEC), the Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC), and the Department of Justice (DOJ) and by regulatory agencies in each state in which the Company is licensed. In addition, the Company is directly and indirectly, through its relationship with SHUSA, subject to certain banking and financial services regulations, including oversight by the Office of the Comptroller of the Currency (OCC), the European Central Bank (ECB), and the Federal Reserve Bank of Boston (FRBB), which has the ability to limit certain of its activities, such as the timing and amount of dividends and certain transactions that it might otherwise desire to enter into, such as merger and acquisition opportunities, or to impose other limitations on the Company's growth. Additional legal and regulatory matters affecting the Company's activities are further discussed in Part I, Item 1A-Risk Factors of this Annual Report on Form 10-K.

Dodd-Frank Wall Street Reform and Consumer Protection Act

Congress enacted comprehensive financial regulatory reform legislation on July 21, 2010. A significant focus of the law (the Dodd-Frank Act) is heightened consumer protection. The Dodd-Frank Act established the CFPB,

which has regulatory, supervisory, and enforcement powers over providers of consumer financial products and services, including the Company, and explicit supervisory authority to examine and require registration of non-depository lenders and promulgate rules that can affect the practices and activities of lenders. 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 the Company offers.

In addition to granting 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 Company is also subject to risk retention rules promulgated under the Dodd-Frank Act, which generally require sponsors of ABS to retain at least five percent of the credit risk of the assets collateralizing the ABS issuance. The rules also prohibit the transfer or hedging of the credit risk that the sponsor is required to retain.

Restrictions on Dividends and Other Capital Actions

The Dodd-Frank Act also requires certain banks and bank holding companies, including SHUSA, to perform a stress test and submit a capital plan to the FRBB and to receive a notice of non-objection, or approval, to the plan from the FRBB before taking capital actions, such as paying dividends, implementing common equity repurchase programs, or redeeming or repurchasing capital instruments.

In June 2018, SHUSA announced that the FRBB did not object to the planned capital actions described in SHUSA's 2018 Capital Plan that was submitted as part of its annual CCAR submissions. Included in SHUSA's capital actions were proposed dividend payments for the Company's stockholders. As a result, the Company paid dividends of $0.20 per share for the third and fourth quarters of 2018 and the first and second quarters of 2019. Additionally, the 2018 Capital Plan included an authorization for the Company to repurchase, between July 1, 2018 and June 30, 2019, $200 million of its outstanding common stock, which repurchases were completed in January 2019.

In February 2019, the FRBB announced that SHUSA, and certain other firms, would receive a one-year extension of the requirement to submit its 2019 capital plan to the FRBB until April 2020. The FRBB also announced that for the period beginning July 1, 2019 through June 30, 2020, SHUSA would be allowed to make capital distributions up to an amount that would have allowed SHUSA to remain well-capitalized under the minimum capital requirements for the 2018 Capital Plan.

In May 2019, the Company announced that the FRBB did not object to an amendment to SHUSA's 2018 Capital Plan, which included an authorization to the repurchase of an additional $400 million of the Company's common stock through the end of the second quarter of 2019. This share repurchase program concluded at the end of the second quarter of 2019 with the repurchase of $86.8 million of the Company's common stock.

In June 2019, the Company announced its planned capital actions under SHUSA's 2019 Capital Plan for the third quarter of 2019 through the second quarter of 2020, including a quarterly cash dividend of $0.22 per share and an authorization to repurchase up to $1.1 billion of the Company's outstanding common stock through the end of the second quarter of 2020. As a result, the Company paid dividends of $0.22 per share for the third and fourth quarters of 2019 and repurchased $233 million of the Company's outstanding common stock through December 31, 2019.

Refer to Note 17-"*Shareholders' Equity*" in the accompanying consolidated financial statements.

Regulation AB II

The Company is subject to final rules adopted by SEC known as "Regulation AB II". Regulation AB II, among other things, expanded ABS disclosure requirements and modified the offering and shelf registration process. All

offerings of publicly registered ABS and all reports under the Exchange Act for outstanding publicly registered ABS must comply with these rules and disclosure requirements.

Additional legal and regulatory matters affecting the Company's activities are further discussed in Part I, Item 1A — Risk Factors.

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

(Amount presented as actuals)

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

The following activities are disclosed in response to Section 13(r) with respect to the Group and its affiliates. During the period covered by this report:

a. Santander UK holds accounts for two customers, with the first customer holding one Savings Account and one Current Account, and the second customer holding one Savings Account. Both customers, who are resident in the UK, are currently designated by the US under the Specially Designated Global Terrorist (SDGT) sanctions programme. Revenues and profits generated by Santander UK on these accounts in the year ended December 31, 2019 were negligible relative to the overall profits of Banco Santander SA.

b. During the period covered by this annual report, Santander UK held one savings account with a balance of £1.24, and one current account with a balance of £1,884.53 for another customer resident in the UK who is currently designated by the US under the SDGT sanctions program. The customer relationship pre-dates the designations of the customer under these sanctions. The United Nations and European Union removed this customer from their equivalent sanctions lists in 2008. Santander UK determined to put a block on these accounts, and the accounts were subsequently closed on 14 January 2019. Revenues and profits generated by Santander UK on these accounts in the year ended 31 December 2019 were negligible relative to the overall profits of Banco Santander SA.

c. Santander UK holds two frozen current accounts for two UK nationals who are designated by the US under the SDGT sanctions programme. The accounts held by each customer have been frozen since their designation and have remained frozen through 2019. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by Santander UK Collections & Recoveries department. No revenues or profits were generated by Santander UK on these accounts in the year ended December 31, 2019.

d. The Group 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.

e. During the period covered by this annual report, Santander Brasil held one current account with a balance of R$100.0 for a customer resident in Brazil who is currently designated by the US under the SDGT sanctions program. The customer relationship pre-dates the designation of the customer under these sanctions. Santander Brasil determined to terminate the account even prior to the customer being formally designated under the SDGT sanctions program on September 10, 2019, and the account was subsequently closed on October 9, 2019. Revenues and profits generated by Santander Brasil on this account in the year ended December 31, 2019 were negligible relative to the overall profits of Banco Santander S.A.

In the aggregate, all of the transactions described above resulted in gross revenues and net profits in the year ended December 31, 2019, which were negligible relative to the overall revenues and profits of Banco Santander, S.A. The Group 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. The Group is not contractually permitted to cancel these arrangements without either (i) paying the guaranteed amount (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, the Group intends to continue to provide the guarantees and hold these assets in accordance with company policy and applicable laws.

Available Information

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

ITEM 1A. RISK FACTORS

The Company is subject to a number of risks that could materially and adversely affect our business, financial condition and results of operations in addition to other possible adverse consequences. We operate in a continually changing business and regulatory environment and, therefore, new risks emerge from time to time. The following are the risks of which we are currently aware that could be material to our business.

Risks Related to Our Business

General Business and Industry Risks

Our relationship with FCA is a significant source of our loan and lease originations. Loss of our relationship with FCA, including as a result of termination of our agreement with FCA, could materially and adversely affect our business, financial condition and results of operations. Our agreement with FCA may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement. In addition, FCA has the option to acquire an equity participation in the CCAP portion of our business.

In February 2013, we entered into the Chrysler Agreement with FCA under which we launched the CCAP brand. Through the CCAP brand, we originate private-label loans and leases to facilitate the purchase of FCA vehicles by consumers and FCA-franchised automotive dealers. The financing services that we provide under the Chrysler Agreement include credit lines to finance FCA franchised dealers, acquisitions of vehicles and other products that FCA sells or distributes, automotive loans and leases to finance consumer acquisitions of new and used vehicles at FCA-franchised dealerships, financing for commercial and fleet customers and ancillary services. In addition, we may facilitate, for an affiliate, offerings to dealers for dealer loan financing, construction loans, real estate loans, working capital loans and revolving lines of credit. On June 28, 2019, the Company entered into an Amendment to the Chrysler Agreement with FCA, which modified the Chrysler Agreement to, among other things, adjust certain performance metrics, exclusivity commitments and payment provisions. The Amendment also terminated the previously disclosed tolling agreement, dated July 11, 2018, between the Company and FCA.

In accordance with the terms of the Chrysler Agreement, in May 2013 we paid FCA a $150 million upfront, nonrefundable payment, which is being amortized over ten years. In addition, in June 2019, in connection with the execution of the sixth amendment to the Chrysler Agreement, the Company paid $60 million upfront fee to FCA. This fee is being amortized into finance and other interest income over the remaining term of the Chrysler Agreement. The unamortized portion would be recognized as expense immediately if the Chrysler Agreement is terminated in accordance with its terms.

As part of the Chrysler Agreement, we received limited exclusivity rights to participate in specified minimum percentages of certain of FCA's financing incentive programs, which include loan rate subvention and automotive lease residual support subvention. We have committed to certain revenue sharing arrangements. We bear the risk of loss on loans originated pursuant to the Chrysler Agreement, while FCA shares in any residual gains and losses in respect of automotive leases, subject to specific provisions in the Chrysler Agreement, including limitations on our participation in gains and losses.

The Chrysler Agreement is subject to early termination in certain circumstances, including our failure to meet certain key performance metrics, provided FCA treats us in a manner consistent with comparable OEMs. FCA may also terminate the agreement if, among other circumstances, (i) a person other than Santander and its affiliates or our other stockholders owns 20% or more of our common stock and Santander and its affiliates own fewer shares of common stock than such person, (ii) SC controls or becomes controlled by an OEM that competes with FCA or (iii) certain of our credit facilities become impaired.

In addition, under the Chrysler Agreement, FCA has the option to acquire, for fair market value, an equity participation in the business offering and providing the financial services contemplated by the Chrysler Agreement. There is no maximum limit on the size of FCA's potential equity participation. Although the Chrysler Agreement contains provisions that are designed to address a situation in which the parties disagree on the fair market value of the equity participation interest, there is a risk that we ultimately receive less than what we believe to be the fair market value for such interest, and the loss of our associated revenue and profits may not be offset fully by the immediate proceeds for such interest. There can be no assurance that we would be able to redeploy the immediate proceeds for such interest in other businesses or investments that would provide comparable returns, thereby reducing our profitability.

Our ability to realize the full strategic and financial benefits of our relationship with FCA depends in part on the successful development of our CCAP business, which requires a significant amount of management's time and effort, and as well as the success of FCA's business. If FCA exercises its purchase option, or if the Chrysler Agreement were to terminate, or we are otherwise unable to realize the expected benefits of our relationship with FCA, including as a result of FCA's bankruptcy or loss of business, there could be a materially adverse impact to our business, financial condition, results of operations, profitability, loan and lease volume, the credit quality of our portfolio, liquidity, reputation, funding costs and growth, and our ability to obtain or find other original equipment manufacturer relationships or to otherwise implement our business strategy could be materially adversely affected.

We partially rely on third parties to deliver services. Our failure to effectively monitor or manage those third parties or the failure by those third parties to provide these services or meet contractual requirements could materially and adversely affect our business, financial condition and results of operations.

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

Loss of our key management or other personnel, or an inability to attract such management and other personnel, could materially and adversely affect our business, financial condition and results of operations.

The successful implementation of our growth strategy depends in part on our ability to retain our experienced management team and key employees, attract appropriately qualified personnel and have an effective succession planning framework in place. Management turnover, including the loss of any key member of our management team or other key employees, could hinder or delay our ability to implement our growth strategy effectively or our ability to manage our business holistically through leadership support of change activities, ongoing and consistent communication of our growth strategy and proper employee training and awareness. Further, if we are unable to attract appropriately qualified personnel as we expand, we may not be successful in implementing our growth strategy. In either instance, our business, financial condition and results of operations could be adversely affected. The extent of our management team changes could result in disruption in our operations, negatively impact customer relationships and make recruiting for future management positions more difficult.

Due to our relationship with Santander, we also are subject to indirect regulation by the European Central Bank, which imposes compensation restrictions that may apply to certain of our executive officers and other employees under Capital Requirements Directive 2013/36/EU (also known as CRD IV). These restrictions may impact our ability to retain our experienced management team and key employees and our ability to attract appropriately qualified personnel, which could materially and adversely affect our business, financial condition and results of operations.

Our risk management processes and procedures may not be effective in mitigating our risks.

We continue to establish and enhance processes and procedures intended to identify, measure, monitor and control the types of risk to which we are subject, including, but not limited to, credit risk, market risk, strategic risk, liquidity risk and operational risk. We seek to monitor and control our risk exposure through a framework that includes our risk appetite, enterprise risk assessment process, risk policies, procedures and controls, reporting requirements, risk culture and governance structure. Our framework, however, may not always effectively identify and control our risks. In addition, there may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify and control our risks, both those we are aware of and those we do not anticipate, including as a result of changes in economic conditions, we could suffer unexpected losses that could have a material and adverse effect on our business, financial condition and results of operations.

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

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

- the inherent uncertainty regarding general economic conditions; our ability to obtain adequate financing for our expansion plans;
- the prevailing laws and regulatory environment of each state in which we operate or seek to operate, and, federal laws and regulations, to the extent applicable, which are subject to change at any time;
- the degree of competition in our markets and its effect on our ability to attract customers;
- our ability to recruit qualified personnel, in particular, in areas where we face a great deal of competition; and
- our ability to obtain and maintain any regulatory approvals, government permits, or licenses that may be required on a timely basis

Changes in our relationship with Santander may adversely affect our business, financial condition and results of operations.

Santander, through SHUSA, currently owns approximately 72.4% of our common stock. We rely on our relationship with Santander for several competitive advantages including relationships with OEMs and regulatory best practices and other commercial arrangements. Changes in our relationship with Santander, and changes affecting Santander, could materially and adversely affect our business, financial condition and results of operations.

Some of the risks we face as a result of potential changes in our relationship with, or changes affecting, Santander include the following:

- Santander has provided and continues to provide us with significant funding support, through both committed liquidity and opportunistic extensions of credit, as well as guarantees of our obligations under the governing documents of certain warehouse facilities and privately issued amortizing notes. For example, during the financial downturn, Santander and its affiliates provided us with more than $6 billion in financing that enabled us to pursue several acquisitions and/or conversions of vehicle loan portfolios at a time when most major banks were curtailing or eliminating their commercial lending activities. During 2017 and 2018 we sold eligible prime loans through our SPAIN securitization platform to Santander under a flow agreement. In addition, during 2018 the Company began provide origination services to SBNA for the origination of prime loans which are serviced by SC. If Santander or its affiliates elect not to provide such support, not to provide it to the same degree or not to enter into additional agreements, we may not be able to replace such support ourselves or to obtain substitute arrangements with third parties. We may be unable to obtain such support because of financial or other constraints, or be unable to implement substitute arrangements on a timely basis on terms that are comparable, or at all, which could materially and adversely affect our business, financial condition and results of operations.
- Santander may sell or otherwise reduce its equity interest in us. If Santander sells or otherwise reduces its equity interest in us, it may be less willing to provide us with the support it has provided in the past or to enter into agreements (such as our flow agreement with Santander or our origination services agreements with SBNA) with us on comparable terms, or at all, as it has in the past. In addition, our right to use the Santander name is on the basis of a non-exclusive, royalty-free, and non-transferable license from Santander, and only extends to uses in connection with our current and future operations within the United States. Santander may terminate such license at any time Santander ceases to own, directly or indirectly, 50% or more of our common stock. If we were required to change our name, we would incur the administrative costs and burden associated with revising legal documents and marketing materials, and also may experience loss of brand and loss of business or loss of funding due to consumers' and banks' relative lack of familiarity with our new name. Additionally, FCA may terminate the Chrysler Agreement if a person other than Santander and its affiliates or our other stockholders owns 20% or more of our common stock and Santander and its affiliates own fewer shares of common stock than such person.
- Some terms of our credit agreements are influenced by, among other things, the credit ratings of Santander. If Santander were to suffer credit rating downgrades or other adverse financial developments, we could be negatively impacted, either directly or indirectly. For example, Santander's short-term credit ratings downgrades in 2012, from A-I to A-2 (Standard & Poor's) and from P-1 to P-2 (Moody's), did not directly impact our cost of funds. However, due to the contractual terms of certain of our debt agreements, these downgrades resulted in the loss of our ability to commingle funds on most facilities. A similar downgrade today would result in an increase of approximately $1.75 million per month.
- Santander applies certain standardized banking policies, procedures and standards across its affiliated entities, including with respect to internal audit, credit approval, governance, risk management and

compensation practices. We currently follow certain of these Santander policies and may in the future become subject to additional Santander policies, procedures and standards, which could result in changes to our practices.

- Our relationship with Santander or SHUSA could reduce the willingness of other banks to develop relationships with us due to general competitive dynamics among such financial institutions.

Our business, financial condition and results of operations could be materially and adversely affected if we fail to manage and complete divestitures.

We regularly evaluate our portfolio in order to determine whether an asset or business may no longer be aligned with our strategic objectives. For example, in 2015, we disclosed a decision to exit our personal lending business and to explore strategic alternatives for our existing personal lending assets. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also experience greater costs and dissynergies than expected, and the impact of the divestiture on our revenue may be larger than projected. Additionally, we may ultimately dispose of assets or a business at a price or on terms that are less favorable than those we had originally anticipated. After reaching a definitive agreement with a buyer, we typically must satisfy pre-closing conditions and the completion of the transaction may be subject to regulatory and governmental approvals. Failure of these conditions and approvals to be satisfied or obtained may prevent us from completing the transaction. Divestitures involve a number of risks, including the diversion of management and employee attention, significant costs and expenses, and a decrease in revenues and earnings associated with the divested business. Divestitures may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of our control could materially and adversely affect our business, financial condition and results of operations.

We continue to hold our Bluestem portfolio (personal lending business), which had a carrying balance of approximately $1 billion as of December 31, 2019, and we remain a party to agreements with Bluestem that obligate us, among other things, to purchase new advances originated by Bluestem and existing balances on accounts with new advances for an initial term ending in April 2020 and renewable through April 2022 at Bluestem’s option. Both parties have the right to terminate this agreement upon written notice if certain events were to occur, including if there is a material adverse change in the financial condition of either party. Although we are seeking a third party to assume this obligation, we may not be successful in finding such a party, and Bluestem may not agree to the substitution. Until we find a third party to assume this obligation, there is a risk that material changes to our relationship with Bluestem, or the loss or discontinuance of Bluestem’s business, would materially and adversely affect our business, financial condition and results of operations. We continue to classify the Bluestem portfolio as held-for-sale. We have recorded significant lower-of-cost-or-market adjustments on this portfolio and may continue to do so as long as we hold the portfolio, particularly due to the new volume we are committed to purchase.

Our business, financial condition and results of operations could be materially and adversely affected if we are unsuccessful in developing and maintaining relationships with vehicle dealerships.

Our ability to originate and acquire loans and vehicle leases depends on our relationships with vehicle dealers. In particular, our vehicle finance operations depend in large part upon our ability to establish and maintain relationships with reputable vehicle dealers that direct customers to our offices or originate loans at the point-of-sale, which we subsequently purchase. Although we have relationships with certain vehicle dealers, none of our relationships is exclusive and any may be terminated at any time. In addition, an economic downturn or contraction of credit affecting either dealers or their customers could result in an increase in vehicle dealership closures or a decrease in the sales and loan volume of our existing vehicle dealer base, which could materially and adversely affect our business, financial condition and results of operation.

Our business, financial condition and results of operations could be materially and adversely affected if we are unsuccessful in developing and maintaining our serviced for others portfolio.

A significant and growing portion of our business strategy is to increase the revenue stream from our serviced for others portfolio by continuing to add assets to this portfolio. For example, beginning in 2018, we agreed to provide SBNA with origination support services in connection with the processing, underwriting and purchase of retail loans, primarily from Chrysler dealers, and to perform the servicing for any loans originated on SBNA's behalf. We have servicing rights to certain third-party portfolios and we also serve as servicer in our securitization and may retain servicing rights in certain whole-loan sales. For the year-ended December 31, 2019, we maintained servicing rights for a portfolio with an outstanding principal balance of approximately $10 billion and we received servicing fees in the amount of $91 million. If an institution for which we currently service assets chooses to terminate our rights as servicer, or if we fail to add additional institutions or portfolios to our servicing platform, we may not achieve the desired revenue or income from this strategy.

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

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

Negative changes in the business of the OEMs with which we have strategic relationships, including FCA, could materially and adversely affect our business, financial condition and results of operations.

A significant adverse change in FCA's or other vehicle manufacturers' business, including (i) significant adverse changes in their respective liquidity position and access to the capital markets, (ii) the production or sale of FCA or other vehicle manufacturers' vehicles (including the effects of any product recall), (iii) the quality or resale value of FCA or other vehicles, (iv) the use of marketing incentives, (v) FCA's or other vehicle manufacturers' relationships with their key suppliers, (v) FCA's or other vehicle manufacturers' bankruptcy or (vii) FCA's or other vehicle manufacturers' respective relationships with the United Auto Workers and other labor unions, and other factors impacting vehicle manufacturers or their employees could materially and adversely affect our business, financial condition and results of operations.

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

There can be no assurance that the global vehicle market, or FCA's or our other OEM partners' share of that market, will not suffer downturns in the future, and any negative impact could in turn materially and adversely affect our business, financial condition and results of operations.

Future significant loan, lease or personal loan repurchase requirements could materially and adversely affect our business, financial condition and results of operations.

We have repurchase obligations in our capacity as servicer in securitizations and certain whole-loan sales. If a servicer breaches a representation, warranty or covenant with respect to the loans sold, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If significant repurchases of assets or other payments are required under our responsibility as servicer, it could materially and adversely affect our business, financial condition and results of operations. As we have increased the number of loans sold, the potential impact of such repurchases has increased.

We have treated sales of the debt and equity in certain of our securitizations as sales of the underlying finance receivables. The exercise of our clean-up call option on each of these securitizations when the collateral pool balance reaches 10%, or 15% of its original balance (depending on the securitization structure) would result in the repurchase of the remaining underlying finance receivables.

Competition with other lenders could materially and adversely affect our business, financial condition and results of operations.

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

Certain of our competitors are not subject to the same regulatory regimes that we are. As a result, these competitors may have advantages in conducting certain businesses and providing certain services, and may be more aggressive in their loan origination activities. Increasing competition could also require us to lower the rates we charge on loans in order to maintain loan origination volume, which could materially and adversely affect our business, financial condition and results of operations.

As described above, we rely upon our ability to sell securities in the ABS market and upon our ability to access various credit facilities to fund our operations. Some of our competitors may have lower cost structures, or funding costs, and be less reliant on securitizations than we are.

Goodwill and intangible asset impairments may be required in relation to acquired businesses.

We have made business acquisitions for which it is possible that the goodwill and intangible assets which have been attributed to those businesses may have to be written down if our valuation assumptions are required to be reassessed as a result of any deterioration in the business' underlying profitability, asset quality or other relevant matters. Impairment testing with respect to goodwill and intangible assets is performed annually, or more frequently if impairment indicators are present. Goodwill and intangible asset impairment analysis and measurement is a process that requires significant judgment. Our stock price and various other factors affect the assessment of the fair value of our underlying business for purposes of performing any goodwill and intangible asset impairment assessment. We did not have any impairment on intangible assets during the years ended December 31, 2019, 2018 and 2017. There can be no assurance that we will not be required to record additional impairments on intangible assets in the future or that such impairments will not be material.

Developments stemming from the United Kingdom's withdrawal from membership in the European Union could have a material adverse effect on us.

The result of the United Kingdom's ("UK's") referendum on whether to remain part of the European Union ("EU") and its subsequent withdrawal from the EU on January 31, 2020 have had and may continue to have negative effects on global economic conditions and global financial markets. After the transition period provided in the UK's withdrawal agreement with the EU, the long-term nature of the UK's relationship with the EU is unclear (including with respect to the laws and regulations that will apply as the UK determines which EU laws to replicate or replace) and, as negotiations continue, there is also considerable uncertainty as to the access of the UK to European markets and the access of EU member states to the UK's markets following the transition period. The result of the referendum and the UK's subsequent withdrawal from the EU have created an uncertain political and economic environment in the UK, and may create such environments in other EU member states. While the Company does not maintain a presence in the UK, political and economic uncertainty in countries with significant economies and relationships to the global financial industry have in the past led to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, lower or negative interest rates, weaker economic growth and reduced business confidence on an international level, each of which could adversely affect our business.

Legal, Regulatory and Compliance Risks

We are a consumer finance company with operations in all 50 states and the District of Columbia. Our industry is highly regulated, and continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition and results of operations.

We must comply with all of the laws and regulations applying to our business in each and every jurisdiction in which we operate. Due to the highly regulated nature of the consumer finance industry, we are required to comply with a wide and changing array of federal, state and local laws and regulations, including a significant number of banking and anti-money laundering laws and fair lending, credit bureau reporting, privacy, usury, disclosure, debt collection, repossession and other consumer protection laws and regulations. These laws and regulations directly impact our origination and servicing operations and almost all other aspects of our business and require constant compliance, monitoring, and internal and external audits. Although we have an enterprise-wide compliance framework structured to continuously monitor our activities, compliance with applicable laws and regulations is costly, may create operational constraints and may not always be effective or perform as expected.

The enactment of new laws and regulations impacting the consumer finance industry could occur rapidly and unpredictably and could require us to change our business or operations, resulting in a loss of revenue or a reduction in our profitability. New laws and regulations could also result in financial loss due to regulatory fines or penalties, restrictions or suspensions of business, or costs associated with compliance or mandatory corrective action as a result of failure to adhere to applicable laws, regulations and supervisory guidance. Failure to comply with these laws and regulations could also give rise to regulatory sanctions, customer rescission rights, actions by government and self-regulatory bodies, civil or criminal liability or damage to our reputation.

We are or may become involved in investigations, examinations and proceedings by government and self-regulatory bodies, which may materially and adversely affect our business, financial condition and results of operations.

In recent years, the supervision and regulation of consumer finance companies have expanded greatly. As an ordinary course of business, we are involved in formal and informal reviews, investigations, examinations, proceedings and information-gathering requests by government and self-regulatory bodies, including, among others, the FRBB, the CFPB, the DOJ, the SEC, the FTC and various federal and state regulatory and enforcement agencies.

We are and have been subject to such matters by many of these regulators in the past and have paid significant fines or provided significant other relief. For more information about these matters, please refer to Note 11- *"Commitments and Contingencies"* in the accompanying consolidated financial statements. We could also become subject to other or similar regulatory actions in the future. Given the inherent uncertainty involved in such matters, and the potentially large or indeterminate damages sought, there can be significant uncertainty regarding the liability we may incur as a result of these matters. The finding, or even the assertion of, legal liability against us could result in higher operational and compliance costs, could materially and adversely affect our business, financial condition and results of operations and may result in, among other actions, adverse judgments, significant settlements, fines, penalties, injunctions or substantial reputational harm. Further, we will continue to devote significant resources to complying with the requirements of consent orders, adverse judgments and other settlements to which we are subject.

We are subject to enhanced legal and regulatory scrutiny regarding credit bureau reporting, origination and debt collection practices from regulators, courts and legislators.

Consumer finance companies, including us, are subject to enhanced legal and regulatory scrutiny regarding credit bureau reporting, origination and debt collection practices from regulators, courts and legislators. Our balance sheet consists of predominantly nonprime consumers, which are associated with higher than average delinquency rates and charge-offs than prime consumers. Accordingly, we have significant involvement with credit bureau reporting, origination and the collection and recovery of delinquent and charged-off debt, primarily through customer communications, the filing of litigation against customers in default, the periodic sale of charged-off debt and vehicle repossession. Any future changes to our business practices in these areas, including our debt collection practices, whether mandated by regulators, courts, legislators or otherwise, or any legal liabilities resulting from our business practices, including our debt collection practices, could increase our operational or compliance costs and could materially and adversely affect our business, financial condition and results of operations.

We are subject to certain banking regulations that limit our business activities and may restrict our ability to take other capital actions and enter into certain business transactions.

Because our controlling shareholder, SHUSA, is a bank holding company and because we provide third-party services to banks, we are directly and indirectly subject to certain banking and financial services regulations, including oversight by the FRBB, the ECB and the OCC. We also are subject to oversight by the CFPB. Such regulations and oversight could limit the activities and the types of businesses that we may conduct. The FRBB has broad enforcement authority over bank holding companies and their subsidiaries. The FRBB could exercise its power to restrict SHUSA from having a non-bank subsidiary that is engaged in any activity that, in the FRBB's opinion, is unauthorized or constitutes an unsafe or unsound business practice, and could exercise its power to restrict us from engaging in any such activity. This power includes the authority to prohibit or limit the payment of dividends if, in the FRBB's opinion, such payment would constitute an unsafe or unsound practice. Moreover, certain banks and bank holding companies, including SHUSA, are required to perform a stress test and submit a capital plan to the FRBB on an annual basis, and to receive a notice of non-objection, or approval, to the plan from the FRBB before taking capital actions, such as paying dividends, implementing common equity repurchase programs, or redeeming or repurchasing capital instruments. Any future suspension of our ability to pay dividends or other limitations placed on us by the FRBB, the ECB or any other regulator and additional costs associated with regulatory compliance could materially and adversely affect us and the trading price of our common stock.

For example, in 2014, 2015 and 2016, we were prohibited from paying dividends or taking other capital actions without the FRBB's prior written approval due to the FRBB's objections, based on qualitative concerns, to SHUSA's capital plan submissions. Although we have paid cash dividends since 2017 and have implemented stock repurchase programs since 2018, there can be no assurance that other or similar restrictions on the taking of capital actions, including dividend payments and stock repurchases and redemptions, will not apply to us in the

future. For more information, please see Part I, Item 1 — Business — Restrictions on Dividends and Other Capital Actions.

The FRBB, the ECB or any other regulator may also impose substantial fines and other penalties for violations that we may commit or disallow acquisitions or other activities we may contemplate, which may limit our future growth plans. These limitations could place us at a competitive disadvantage because some of our competitors are not subject to these limitations.

We are subject to enhanced prudential standards as a subsidiary of SHUSA, which could materially and adversely affect our business, financial condition and results of operations.

As a subsidiary of SHUSA, we are subject to certain enhanced prudential rules mandated by Section 165 of the Dodd-Frank Act. Among other requirements, these rules require SHUSA to maintain a sufficient quantity of highly liquid assets to survive a liquidity stress event and implement various liquidity-related corporate governance measures and imposes certain requirements, duties and qualifications for the risk committee and chief risk officers of SHUSA. SHUSA calculates its liquidity figures on a consolidated basis with certain of its subsidiaries, including us. As a result, our predicted performance under the liquidity stress event must be taken into account when SHUSA conducts its liquidity stress event analysis. Due to these requirements, we are required to have an increased amount of liquidity and will incur increased costs of funding and liquidity capacity, which could materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be materially and adversely affected upon our implementation of the capital requirements under the U.S. Basel III final rules.

SHUSA is governed by federal banking regulations relating to capital, referred to as the U.S. Basel III final rules, which subject SHUSA to minimum risk-based capital ratios and a capital conservation buffer above these minimum ratios. SHUSA calculates its capital figures on a consolidated basis with certain of its subsidiaries, including us. Failure to remain well-capitalized would result in restrictions on our ability to take capital actions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers.

If SHUSA were to fail to satisfy regulatory capital requirements, SHUSA, together with its subsidiaries, including us, may become subject to informal or formal supervisory actions by the FRBB. If any of these were to occur, such actions could prevent us from successfully executing our business plan and could materially and adversely affect our business, financial condition and results of operations.

The Dodd-Frank Act, and its associated rules and guidance, and CFPB supervisory audits will likely continue to increase our regulatory compliance burden and associated costs.

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

The CFPB continues to recommend that indirect vehicle lenders, a class that includes us, take steps to monitor and impose controls over dealer markup policies where dealers charge consumers higher interest rates as compensation for facilitating the loan, with the markup shared between the dealer and the lender. The CFPB has conducted in the past, and continues to conduct, supervisory audits of large providers of vehicle financing, including us, with respect to possible ECOA “disparate impact” credit discrimination in indirect vehicle finance and other related matters. The CFPB and the DOJ have continued to enter into consent orders, memoranda of understanding and settlements with multiple lenders pertaining to allegations of disparate impact regarding vehicle dealer markups, requiring consumer financing companies, including us, to revise their pricing and compensation systems to substantially reduce dealer discretion and other financial incentives to mark up interest rates and to pay restitution to borrowers as well as fines and penalties.

If the CFPB continues to enter into consent decrees with lenders on disparate impact claims and related matters, it could negatively impact the business of the affected lenders, and potentially the business of dealers and other lenders in the vehicle finance market. This impact on dealers and lenders could increase our regulatory compliance requirements and associated costs.

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

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

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

We are subject to potential intervention by any of our regulators or supervisors.

As noted above, our business and operations are subject to increasingly significant rules and regulations applicable to conducting banking and financial services business. These apply to, among other things, financial reserves and financial reporting. These requirements are set by the relevant central banks and state and federal regulatory authorities that authorize, regulate and supervise us in the jurisdictions in which we operate.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions and the financial system as a whole, with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential examinations and requests, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, we face increased supervisory intrusion and scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event we fail to meet regulatory obligations or expectations we are likely to face more regulatory fines. Some of the regulators focus intensely on consumer protection and on conduct risk, and have stated that they will continue to do so. This has included a focus on the design and operation of products, the treatment of customers and the operation of markets.

Some of the laws in the jurisdictions in which we operate give the regulators the power to make temporary product intervention rules either to improve a firm's systems and controls in relation to product design, product management and implementation, or to address problems identified with financial products. These problems may potentially cause significant detriment to consumers because of certain product features or governance flaws or distribution strategies. Such rules may prevent institutions from entering into product agreements with customers until such problems have been solved. Some of the regulatory regimes in the relevant jurisdictions in which we operate require us to be in compliance across all aspects of our business, including the training, authorization and supervision of personnel, systems, processes and documentation. If we fail to be compliant with such regulations, there likely would be an adverse impact on our business from sanctions, fines or other actions imposed by the regulatory authorities.

Adverse outcomes to current and future litigation against us may materially and adversely affect our business, financial condition and results of operations.

We are party to various litigation claims and legal proceedings. Refer to Note 11- *"Commitments and Contingencies"* in the accompanying financial statements. As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties. Some litigation against us could take the form of class action complaints by consumers or shareholder derivative complaints, and we are party to multiple purported securities class action lawsuits and shareholder derivative complaints. As the assignee of loans originated by vehicle dealers, we also may be named as a co-defendant in lawsuits filed by consumers principally against vehicle dealers.

Customers of financial services institutions, including our customers, may seek redress for loss as a result of inaccuracies or misrepresentations made during the sale of a particular product or through incorrect application of the terms and conditions of a particular product. An adverse outcome in litigation related to these matters, any penalties imposed or compensation awarded and the costs of defending the litigation could harm our reputation or materially and adversely affect our business, financial condition and results of operations.

Negative publicity associated with litigation, governmental investigations, regulatory actions and other public statements could damage our reputation.

From time to time, there are negative media stories about us or the nonprime credit industry. These stories may follow the announcement of actual or threatened litigation or regulatory actions involving us or others in our industry. Our ability to attract consumers is highly dependent upon external perceptions of our level of service, trustworthiness, business practices and financial condition. Negative publicity about such matters, our alleged or actual practices, or our industry generally could materially and adversely affect our business, financial condition and results of operations, including our ability to retain and attract employees.

Changes in taxes and other assessments may adversely affect us.

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. While the Tax Cuts and Jobs Act of 2017 had a positive impact on our net income for the year-ended 2017, the effects of any changes that result from enactment of future tax reforms cannot be quantified, and there can be no assurance that any such reforms would not materially and adversely affect our business, financial condition and results of operations.

Liquidity and Funding Risks

Our business, financial condition and results of operations could be materially and adversely affected if our access to funding is reduced.

We rely upon our ability to sell securities in the ABS market and upon our ability to access various credit facilities to fund our operations. The ABS market, along with credit markets in general, have experienced significant disruptions in the past, during which certain issuers have experienced increased risk premiums while there was a relatively lower level of investor demand for certain ABS (particularly those securities backed by nonprime collateral). Decreased demand for lower credit grade ABS could restrict our ability to access the ABS market for nonprime collateralized receivables. Also, regulatory reforms enacted under the Dodd-Frank Act generally require us to retain a minimum specified portion (5%) of the credit risk on assets collateralizing ABS issuances which could potentially reduce the amount of liquidity otherwise generally available through ABS programs. These and other adverse changes in our ABS program or in the ABS market generally, including rising interest rates, could materially adversely affect our ability to securitize loans on a timely basis or upon terms acceptable to us. This could increase our cost of funding, reduce our margins or delay issuing until investor demand improves. We also depend on various credit facilities to fund our future liquidity needs.

We continue to require a significant amount of liquidity to finance our volume of loan acquisitions and originations. We require borrowing capacity through credit facilities. The availability of these financing sources depends, in part, on our ability to forecast necessary levels of funding as well as on factors outside of our control, including regulatory capital treatment for unfunded bank lines of credit, the financial strength and strategic objectives of Santander and the other banks that participate in our credit facilities and the availability of bank liquidity in general. We may also experience the occurrence of events of default or breach of financial covenants, which could reduce our access to bank funding. In the event of a sudden or unexpected shortage of funds in the banking system, we cannot guarantee that these financing sources will continue to be available beyond the current maturity dates, on reasonable terms, or at all.

We are subject to general market conditions that affect issuers of ABS and other borrowers, and we could experience increased risk premiums or funding costs in the future. In addition, if the sources of funding described above are not available to us on a regular basis for any reason, we may have to curtail or suspend our loan acquisition and origination activities. Downsizing the scale of our business could materially and adversely affect our business, financial condition and results of operations.

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

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

The documents that govern certain secured structured financings also contain cumulative net loss ratio triggers on the receivables included in each securitization trust. If, at any measurement date, the cumulative net loss ratio were to exceed the specified limits, provisions of the financing agreements would increase the target level of credit enhancement for that financing and delay excess cash payments to the residual holder of the ABS, which is generally us. Excess cash flows, if any, from the facility would be used to fund the increased credit enhancement levels rather than being distributed to us. Once an impacted trust reaches the new requirement, we would return to receiving a residual distribution from the trust.

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

We currently apply financial leverage, pledging most of our assets to credit facilities and securitization trusts, and we intend to continue to apply financial leverage in our retail lending operations. Our debt-to-assets ratio is 80.1% as of December 31, 2019. Although our total borrowings capacity is defined in our lending agreements, we may change our target borrowing levels at any time. Incurring substantial debt subjects us to the risk that our cash flow from operations may be insufficient to service our outstanding debt.

Our indebtedness and other obligations are significant, impose restrictions on our business and could materially and adversely affect our business and ability to react to changes in the economy or our industry.

We have a significant amount of indebtedness. At December 31, 2019 and 2018, we had approximately $39.2 billion and $34.9 billion, respectively, in principal amount of indebtedness outstanding (including $33.5 billion and $31.4 billion, respectively, in secured indebtedness). Interest expense on our indebtedness constituted 22% of our total net finance and other interest income, net of leased vehicle expense, for the year ended December 31, 2019.

Our debt reduces operational flexibility and creates default risks. Our revolving credit facilities contain a borrowing base or advance rate formula that requires us to pledge finance contracts in excess of the amounts that we can borrow under the facilities. Accordingly, increases in delinquencies or defaults resulting from weakened economic conditions would require us to pledge additional finance contracts to support the same borrowing levels and may cause us to be unable to securitize loans to the extent we desire. These outcomes could materially and adversely affect our business, financial condition and results of operations, including our liquidity.

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

- incur or guarantee additional indebtedness;
- purchase large loan portfolios in bulk;
- sell assets, including our loan portfolio or the capital stock of our subsidiaries;
- enter into transactions with affiliates;
- create or incur liens; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Additionally, certain of our credit facilities contain minimum tangible net worth requirements, and certain of our credit facilities contain covenants that require timely filing of periodic reports with the SEC. Failure to meet any of these covenants, or to obtain a waiver for any such failure, could result in an event of default under these agreements. If an event of default occurs under these agreements, potential actions lenders have on certain debt agreements include declaring all amounts outstanding under these agreements to be immediately due and payable, enforcing their interests against collateral pledged under these agreements, restricting our ability to obtain additional borrowings under these agreements and/or removing us as servicer. Such an event of default could materially and adversely affect our business, financial condition and results of operations, including our liquidity.

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

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

Credit Risks

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

As of December 31, 2019, more than 78% of our vehicle consumer loans are nonprime receivables with obligors who may not qualify for conventional consumer finance products as a result of, among other things, a lack of or adverse credit history, low income levels and/or the inability to provide adequate down payments. These loans experience higher default rates than a portfolio of obligations of prime obligors. In the event of a default on a

vehicle loan, generally the most practical alternative for recourse by the lender is repossession of the financed vehicle, although the collateral value of the vehicle usually does not cover the outstanding account balance and costs of recovery. Repossessions and foreclosure sales that do not yield sufficient proceeds to repay the receivables in full could result in losses on those receivables.

We are exposed to geographic customer concentration risk. As of December 31, 2019, borrowers on the Company's retail installment contracts held for investment are located in Texas (17%), Florida (11%), California (9%), Georgia (6%) and other states each individually representing less than 5% of the Company's total portfolio. An economic downturn or catastrophic event that disproportionately affects certain geographic regions could materially and adversely affect our business, financial condition and results of operations, including the performance of our loan portfolio.

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

We maintain an allowance for credit losses, established through a provision for credit losses charged to expense, that we believe is appropriate to provide for probable losses inherent in our originated loan portfolio. The determination of the appropriate level of the allowance for credit losses necessarily involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends using existing quantitative and qualitative information, all of which are subject to material changes.

For receivables portfolios purchased from other lenders at a discount to the aggregate principal balance of the receivables, the portion of the discount that was attributable to credit deterioration since origination of the loans is recorded as a nonaccretable difference. Any deterioration in the performance of the purchased portfolios after acquisition results in an incremental allowance. The determination of the appropriate level of the allowance for credit losses and nonaccretable difference for portfolios purchased from other lenders necessarily involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which are subject to change. Changes in economic conditions affecting borrowers, new information regarding our loans, and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. Furthermore, growth in our loan portfolio generally would lead to an increase in the provision for credit losses. In addition, if net charge-offs in future periods exceed the allowance for credit losses, we will need to make additional provisions to increase the allowance. There is no precisely accurate method for predicting credit losses, and we cannot provide assurance that our current or future credit loss allowance will be sufficient to cover actual losses.

The process for determining our allowance for credit losses is complex, and we may from time to time make changes to our process for determining our allowance for credit losses. In addition, regulatory agencies periodically review our allowance for credit losses, as well as our methodology for calculating our allowance for credit losses and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different than those of management. Changes that we make to enhance our process for determining our allowance for credit losses may lead to an increase in our allowance for credit losses. Any increase in our allowance for credit losses will result in a decrease in net income and capital, and may have a material adverse effect on us. Material changes to our methodology for determining our allowance for loan losses could result in the need to restate our financial statements or fines, penalties, potential regulatory action and damage to our reputation.

In addition, refer to Note 1 "Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices" to the accompanying financial statements for information regarding impact of the FASB's ASU 2016-13, Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, to our allowance for credit losses in 2020.

Market Risks

Adverse macroeconomic conditions in the United States and worldwide may materially and adversely affect our business, financial condition and results of operations.

We are subject to changes in macroeconomic conditions that are beyond our control, and the macroeconomic environment remains susceptible to global events and volatility. A significant deterioration in economic conditions in the United States or worldwide could materially and adversely affect our business, financial condition and results of operations, including periods of slow economic growth; inflation and unemployment rates; changes in the availability of consumer credit and other factors that impact consumer confidence, demand for credit, payment patterns, bankruptcies or disposable income; natural disasters, acts of war, terrorist attacks and the escalation of military activity; confidence in financial markets; the availability and cost of capital; interest rates and commodity prices (including gasoline prices); and geopolitical matters.

Some of the risks we face as a result of changes in these and other economic factors include the following:

- Loss rates could increase. Our balance sheet consists of predominantly nonprime consumers, who are associated with higher-than-average delinquency rates. The actual rates of delinquencies, defaults, repossessions and losses from nonprime loans could be more dramatically affected by a general economic downturn than other loans.
- Consumer demand for, and the value of, new and used vehicles and other consumer products securing outstanding accounts could decrease, including as a result of technological advancements or changes to trends in the automobile industry such as new autonomous driving technologies or car- and ride-sharing programs. Decreased demand would weaken collateral coverage and increase the amount of losses in the event of default.
- Servicing costs could increase without a corresponding increase in our finance charge income.
- Our compliance costs may increase as a result of increased regulation enacted in response to deterioration in economic conditions.
- Dealership closures and decreases in sales and loan volume by our existing vehicle dealer base may occur, which could result in the reduction in scale of our business.
- Financial market instability and volatility could negatively affect our liquidity and funding costs.

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

Like other consumer finance companies, our profitability may be directly affected by interest rate levels and fluctuations in interest rates. As interest rates change, our gross interest rate spread on originations either increases or decreases because the rates charged on the contracts originated or purchased from dealers are limited by market and competitive conditions, restricting our ability to pass on increased interest costs to the consumer.

After a period of rising interest rate environment, during the years of 2016-2018, the Federal Reserve decreased interest rates multiple times in 2019, reversing most of the interest rate increases made during 2018. Among the reasons presented by the Federal Open Market Committee for the interest rates cut are the concerns about slowing global growth and trade war and their impact on the United States economy, which has remained this year with low levels of unemployment rates and a persistent economy growth.

The Company relies on different source of funds, fixed rate and floating rate funding. For the floating rate funding, if interest rates move upward, net interest income can decrease because of the repricing of funds at a higher rate. For that purpose, we enter in derivative transactions for hedging purposes to mitigate or reduce the impact of the incremental interest rates. Additionally, although the majority of our borrowers are nonprime and are not highly sensitive to interest rate movement, increases in interest rates may reduce the volume of loans we originate. While we monitor the interest rate environment and employ hedging strategies designed to mitigate the impact of increased interest rates, we cannot provide assurance that hedging strategies will fully mitigate the impact of changes in interest rates.

Uncertainty regarding LIBOR may adversely affect our business

The UK Financial Conduct Authority, which regulates LIBOR, announced in July 2017 that it will no longer persuade or require banks to submit rates for the calculation of LIBOR after 2021. This announcement has resulted in uncertainty about the future of LIBOR and other rates used as interest rate "benchmarks," and suggests that the continuation of LIBOR on the current basis will not be guaranteed after 2021, and that LIBOR could be discontinued or modified by 2021.

Several international working groups are focused on transition plans and alternative contract language seeking to address potential market disruption that could arise from the replacement of LIBOR with a new reference rate. For example, in the U.S., the Alternative Reference Rates Committee, a group convened by the Federal Reserve Board and the Federal Reserve Bank of New York and comprised of private sector entities, banking regulators and other financial regulators, including the SEC, has identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on observable U.S. Treasury-backed repurchase transactions. In addition, ISDA is working to develop alternative contract language applicable in the event of LIBOR's discontinuation that could apply to derivatives entered into on ISDA documentation. Separately, the SEC issued a statement in July 2019 encouraging market participants to focus on managing the transition from LIBOR prior to 2021 to avoid business and market disruptions, including incorporating fallback language in contracts in the event LIBOR is unavailable and proactive negotiations with counterparties to existing contracts that utilize LIBOR as a reference rate.

While we have begun the process of identifying existing contracts that extend past 2021 to determine their exposure to LIBOR and including provisions specifying a method for transitioning from LIBOR to an alternative benchmark rate, there can be no assurance that we and other market participants will be adequately prepared for an actual discontinuation of LIBOR, or of the timing of the adoption and degree of integration of alternative reference rates in financial markets relevant to us. If LIBOR ceases to exist, or if new methods of calculating LIBOR are established, interest rates on our loans, deposits, derivatives and other financial instruments tied to LIBOR, as well as revenue and expenses associated with those financial instruments, may be adversely affected, and financial markets relevant to us could be disrupted.

Even if financial instruments are transitioned to alternative reference rates successfully, the new reference rates are likely to differ from the previous reference rates, and the value and return on those instruments could be adversely impacted. We could also be subject to increased costs due to paying higher interest rates on our existing financial instruments. We could incur legal risks in the event of such changes, as renegotiation and changes to documentation for new and existing transactions may be required, especially if parties to an instrument cannot agree on how to effect the transition. We could also incur further operational risks due to the potential need to adapt information technology systems, trade reporting infrastructure, and operational processes and controls, including models and hedging strategies.

In addition, it is possible that LIBOR will perform differently in the period leading up to its discontinuation than in the past if LIBOR quotes will become unavailable prior to 2021. This could result, for example, if a sufficient number of banks decline to make submissions to the LIBOR administrator. Interest rates could be higher or lower than they would have been if LIBOR was available in the current form and in these scenarios, risks associated with the transition away from LIBOR would be accelerated for us and the rest of the financial industry.

Our business, financial condition and results of operations could be materially and adversely affected if used-vehicle values decline, resulting in lower residual values of our vehicle leases and lower recoveries in sales of repossessed vehicles.

General economic conditions, the supply of off-lease and other used vehicles to be sold, new vehicle market prices and marketing programs, vehicle brand image and strength, perceived vehicle quality, general consumer

preference and confidence levels, tariff policy, seasonality, and overall price and price volatility of gasoline or diesel fuel, among other factors, heavily influence used-vehicle values and thus the residual value of our leased vehicles and the amount we recover in remarketing repossessed vehicles. Our financial results are sensitive to used-vehicle values as leases continue to become a larger part of our business.

Our expectation of the residual value of a leased vehicle is a critical input in determining the amount of the lease payments at the inception of a lease contract. Our lease customers are responsible only for any deviation from expected residual value that is caused by excess mileage or excess wear and tear, while we retain the obligation to absorb any general market changes in the value of the vehicle. Therefore, our operating lease expense is increased when we have to take an impairment on our residual values or when the realized residual value of a vehicle at lease termination is less than the expected residual value for the vehicle at lease inception. In addition, the timeliness, effectiveness, and quality of our remarketing of off-lease vehicles affects the net proceeds realized from the vehicle sales. Lower used-vehicle values can reduce the amount we can recover when remarketing repossessed vehicles that serve as collateral on the underlying loans.

Used-vehicle values may decline in the future, and such declines in used-vehicle values could materially and adversely affect our business, financial condition and results of operations.

We are subject to market, operational and other related risks associated with our derivative transactions that could materially and adversely affect our business, financial condition and results of operations.

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

Technology Risks

A successful security breach or a cyber-attack could materially and adversely affect our business, financial condition and results of operations.

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

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure online transmission of confidential consumer information. Advances in computer capabilities new discoveries in the field of cryptography, or other events or developments may result in

a compromise or breach of the algorithms that we use to protect sensitive consumer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against such security breaches or cyber-attacks, or to alleviate problems caused by such breaches or attacks.

We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. We have been and continue to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of our information technology systems used to service our customers. As attempted attacks continue to evolve in scope and sophistication, we may incur increased insurance premiums or significant costs in our attempt to modify or enhance our protective measures against such attacks, to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our customers. If we fail to effectively manage our cyber-security risk by failing to update our systems and processes in response to new threats, this could harm our reputation and materially and adversely affect our business, financial condition and results of operations through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets.

Further, successful cyber-attacks of other market participants, whether or not we are impacted, could lead to a general loss of customer confidence that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general.

We are subject to many industry-specific and non-specific privacy laws. Further, our business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct; and the precautions we take to detect and prevent this activity may not always be effective. In addition, we may be required to report events related to information security issues (including any cyber-security issues), events where customer information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect us.

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

We rely on our proprietary software, commercial systems and third parties to continuously adapt our products and services to evolving consumer behavior, changing vehicle finance and consumer loan products and third-party purchaser requirements. We employ engineers, product managers, designers, analysts and technical specialists to ensure that our technology and digital capabilities remain competitive. However, due to the continued rapid changes in technology, and potential for digital market disruptors to augment consumer digital behaviors, there can be no assurance that our technology solutions will continue to be adequate for our business or provide a competitive advantage.

Our technology platforms, underlying infrastructure and infrastructure of integrated third-party services are important to our operating activities, and any high-severity incidents or outages could disrupt our ability to process loan applications, originate loans or service our existing loan portfolios, which could materially and adversely affect our operating activities. We also rely on our technology platforms to process transaction information and produce financial reports. Outages may be caused by unforeseen catastrophic events, including natural disasters, terrorist attacks, large-scale power outages, software or hardware defects, computer viruses, cyber-attacks, external or internal security breaches, acts of vandalism, misplaced or lost data, programming or human errors, or other similar events. Although we maintain, and regularly assess the adequacy of, a business continuity plan and have designed our infrastructure for high availability to mitigate the risk of such events, we

cannot be certain that our plan will function as intended, or otherwise resolve or compensate for such effects. Such a failure in business continuity, if and when experienced, may materially and adversely affect our business, financial condition and results of operations, including our ability to support and service our customer base and produce financial reports.

Our technology platforms may not be adequate for our business or provide a competitive advantage.

Due to the continued rapid changes in technology, including in the consumer finance industry, and potential for digital market disruptors to augment consumer digital behaviors, there can be no assurance that our technology platforms will be adequate for our business or provide a competitive advantage. Additionally, we may not be able to effectively implement new technology-driven products and services as quickly as some of our competitors or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the consumer financing industry could harm our ability to compete with our competitors and materially and adversely affect our business, financial condition and results of operations.

Financial Reporting and Control Risks

We are required to make significant estimates and assumptions in the preparation of our financial statements, and our estimates and assumptions may not be accurate. We also rely on pricing, accounting, risk management and other models which may fail to accurately predict outcomes.

The preparation of our consolidated financial statements in conformity with GAAP requires our management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of income and expense during the reporting periods. We also use estimates and assumptions in determining the residual values of leased vehicles. Critical estimates are made by management in determining, among other things, the allowance for credit losses, amounts of impairment and valuation of income taxes. The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how those economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the quality of our assets. If our underlying estimates and assumptions prove to be incorrect, our financial condition and results of operations may be materially and adversely affected.

We use models in various aspects of our business, including for pricing our extensions of credit, accounting determinations, risk management and other purposes and to assist with certain business decisions, and these models rely on many estimates and assumptions. The estimates and assumptions embedded in our models may prove to be inaccurate and furthermore our models may include deficiencies such as errors in coding or formulas, incorrect input or gathering of data, insufficient control over model changes and use of models other than for their intended purposes. If our models fail to accurately predict outcomes, we may not make appropriate business or financial decisions which could materially and adversely affect our financial condition and results of operations, including our capitalization and our relationships with regulators, customers and counterparties.

Furthermore, the Financial Accounting Standards Board, the SEC or other regulatory bodies may change the financial accounting and reporting standards to which we are subject, including those related to assumptions and estimates we use to prepare our financial statements. These changes may occur in ways we cannot predict and may impact our financial statements.

Lapses in internal controls, including internal control over financial reporting, could materially and adversely affect our business, financial condition and results of operations, including our liquidity and reputation.

We have previously identified material weaknesses in the controls around our financial reporting process, which contributed to the restatement of the previously filed consolidated financial statements. Though we consider all

of these material weaknesses remediated, there can be no assurance that we will not suffer other material weaknesses in the future. If we fail to otherwise maintain effective internal controls over financial reporting in the future, such failure could result in other material misstatements of our annual or quarterly financial statements that would not be prevented or detected on a timely basis and which could cause investors and other users to lose confidence in our financial statements, limit our ability to raise capital and have a negative effect on the trading price of our common stock. Additionally, failure to maintain effective internal controls over financial reporting may materially and adversely affect our business, financial condition and results of operations, and could impair our ability to timely file our periodic reports with the SEC, subject us to additional litigation and regulatory actions and cause us to incur substantial additional costs in future periods relating to the implementation of remedial measures.

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

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

We have previously identified material weaknesses in internal control over financial reporting, and certain of these material weaknesses involved the design of controls and failure of controls to operate effectively, resulting in misstatements in our previously filed public financial statements. If we are unable to adequately manage our internal control over financial reporting in the future, we may be unable to produce accurate or timely financial information. As a result, we may be unable to meet our ongoing reporting obligations or comply with applicable legal requirements, which could lead to the imposition of sanctions or further investigation by regulatory authorities. Any such action or other negative results caused by our inability to meet our reporting requirements or comply with legal and regulatory requirements could lead investors and other users to lose confidence in our financial data and could adversely affect our business and the trading price of our common stock. Significant deficiencies or material weaknesses in our internal controls over financial reporting could also reduce our ability to obtain financing or could increase the cost of any financing we obtain.

Failure to timely satisfy obligations associated with being a public company may have adverse regulatory, economic and reputational consequences.

As a public company, we are required to prepare and file periodic reports containing our consolidated financial statements with the SEC, prepare and distribute other stockholder communications in compliance with our obligations under the federal securities laws and applicable stock exchange rules, evaluate and maintain our system of internal control over financial reporting, and report on management's assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board (PCAOB); involve and retain outside legal counsel and accountants in connection with the activities listed above; maintain an investor relations function; and maintain internal policies, including those relating to disclosure controls and procedures.

Failure to file our periodic reports timely with the SEC or to otherwise comply with our obligations associated with being a public company may result in similar or other more significant adverse regulatory, economic and reputational consequences.

Risks and Other Considerations Related to Our Common Stock

So long as SHUSA controls us, our other stockholders will have limited ability to influence matters requiring stockholder approval, and Santander's interest may conflict with the interests of our other stockholders.

As discussed above, Santander, through SHUSA, has significant influence over us, including control over decisions that require the approval of stockholders, which could limit other stockholders' ability to influence the outcome of key transactions, including a change of control.

SHUSA currently owns approximately 72.4% of our common stock and is a party to the shareholder agreement between us and certain of our shareholders (Shareholder Agreement). Accordingly, SHUSA has significant influence over us. Pursuant to the Shareholders Agreement, SHUSA has the right to nominate a majority of our directors so long as minimum share ownership thresholds are maintained. Further, because SHUSA owns a majority of our common stock, it has the power to elect our entire Board. Through our Board, and through functional reporting lines of SHUSA and our management, SHUSA controls our policies and operations, including, among other things, the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence of debt by us and the entry into extraordinary transactions.

If SHUSA and/or Santander owned 80% or more of our common stock, the Company could be consolidated with SHUSA and Santander for tax filing and capital planning purposes, which would provide SHUSA and Santander with certain benefits. Among other things, tax consolidation would (1) facilitate certain offsets of the Company's taxable income, (2) eliminate the double taxation of dividends from the Company, and (3) trigger a release into SHUSA's income of the deferred tax liability established with respect to its ownership of the Company. In addition, SHUSA and Santander would recognize a larger percentage of our net income as its ownership increases and would likely realize an improvement in capital ratios.

Additionally, SHUSA may elect not to permit us to undertake certain actions or activities if SHUSA were to determine that such actions or activities could or would have negative regulatory implications to the Company, SHUSA, and/or Santander.

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

The interests of SHUSA may conflict with the interests of our other stockholders. SHUSA's influence and control over us may cause us to take actions that our other stockholders do not view as beneficial to them. In such circumstances, the market price of our common stock could be adversely affected. In addition, the existence of a controlling stockholder may have the effect of making it more difficult for a third party to acquire us, or may discourage a third party from seeking to acquire us.

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

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

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

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

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

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

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

SHUSA owns a majority of the voting power of our outstanding common stock. As a result, we qualify as a “controlled company” within the meaning of the NYSE corporate governance standards. As a controlled company, we have elected to be exempt from certain NYSE corporate governance requirements, including the requirements:

- that our executive committee (which has the responsibilities under its charter of a nominating and governance committee) be composed entirely of independent directors; and
- that we have a compensation committee composed entirely of independent directors.

We have not elected to be exempt from certain other NYSE corporate governance requirements, including the requirements that a majority of our board consists of independent directors and we have a compensation committee with a written charter addressing the committee’s purpose and responsibilities. If we elect to be exempt from this or other NYSE corporate governance requirements, which we have done at times, our stockholders would not have the same protections afforded to stockholders of companies that are subject to these NYSE corporate governance requirements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company’s corporate headquarters is located in Dallas, Texas, where it leases approximately 373,000 square feet of office and operations space pursuant to a lease agreement expiring in 2026. The Company also leases servicing facilities and operations space which includes;

- a 200,000 square foot servicing facility in North Richland Hills, Texas,

- a 117,000 square foot servicing facility in Mesa, Arizona,
- a 43,000 square foot and an adjacent 21,000 square foot servicing facility in Centennial, Colorado,
- a 21,000 square foot servicing facility in San Juan, Puerto Rico,
- a 11,000 square foot for IT application development in Irvine, California, and
- approximately 7,000 square foot for marketing center and various data centers.

These leases expire at various dates through 2027. Management believes the terms of the leases are consistent with market standards. For additional information regarding the Company's properties refer to Note 9— *"Other Assets"* in the accompanying consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 11 *"Commitments and Contingencies"* to the accompanying financial statements for information regarding legal proceedings in which the Company is involved.

ITEM 4. MINE SAFETY DISCLOSURES

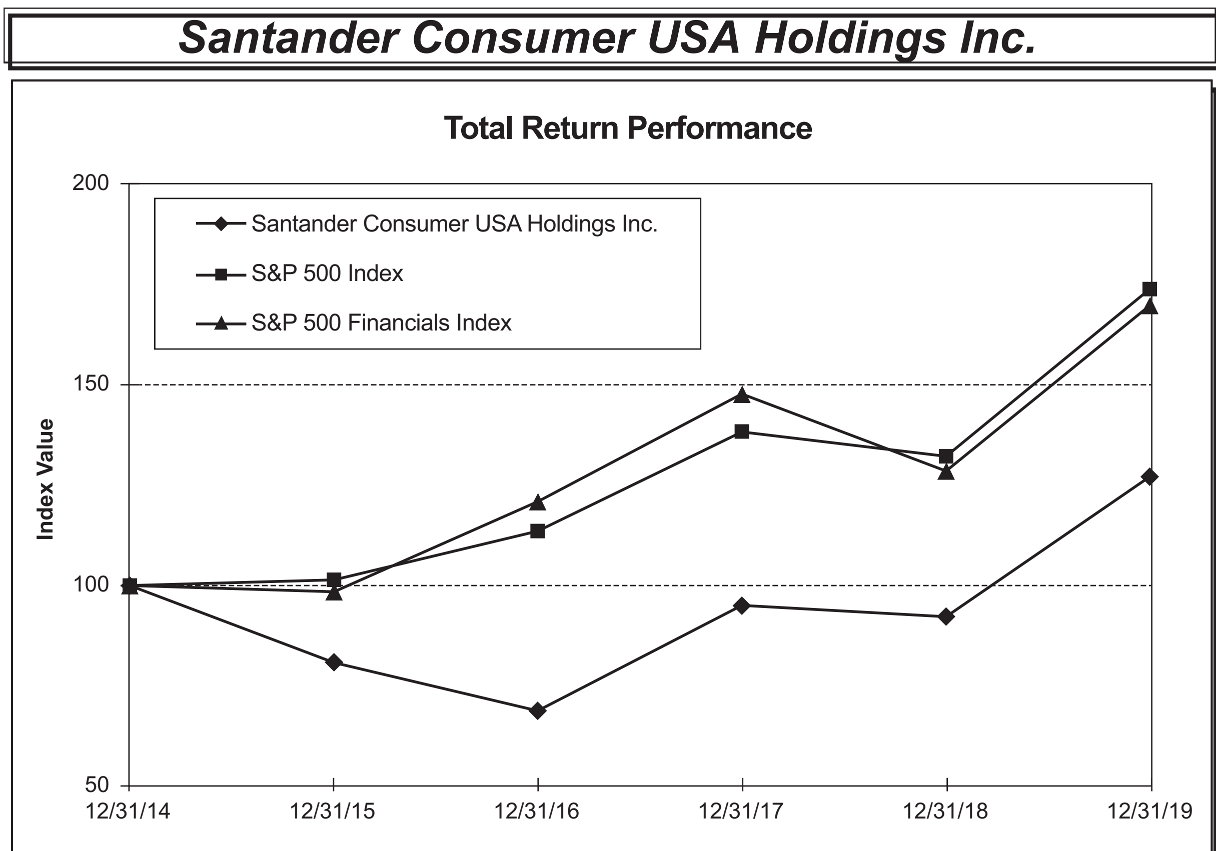
Not applicable.

PART II

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

The Company's common stock is traded on the NYSE (under the symbol SC). The approximate number of record holders of the Company's common stock as of February 20, 2020 was nine, although the Company estimates the number of beneficial stockholders to be much higher as many of its shares are held by brokers or dealers for their customers in street name. **Company Stock Performance**

The following graph shows a comparison of cumulative stockholder return, calculated on a dividend reinvested basis, for the Company, the S&P 500 index, and the S&P 500 Financials index from December 31, 2014 through December 31, 2019. The graph assumes $100 was invested in each of the Company's common stock, the S&P 500 index, and the S&P 500 Financials index as of market close on December 31, 2014. Historical stock prices are not necessarily indicative of future stock price performance.



	Period Ending					
Index	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**	**12/31/19**
Santander Consumer USA Holdings Inc.	100.00	80.83	68.84	95.12	92.21	127.05
S&P 500 Index	100.00	101.38	113.51	138.29	132.23	173.86
S&P 500 Financials Index	100.00	98.47	120.92	147.75	128.50	169.78

Source: S&P Global Market Intelligence
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Equity Compensation Plan Information

The Company has an Omnibus Incentive Plan, which enables it to grant awards of non-qualified 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 5,192,641 shares of its common stock. At December 31, 2019, an aggregate of 2,177,826 shares were available for future awards under this plan.

The Company also manages its 2011 Management Equity Plan, under which eligible employees and directors were previously granted non-qualified stock options to purchase its common stock. Currently, no shares are available for issuance under this plan and, therefore, no future awards will be made under this plan.

Recent Sales of Unregistered Securities

None.

Repurchase of Common Stock

In June 2018, the Board announced purchases by the Company of up to $200 million, excluding commissions, of its outstanding common stock through June 2019.

In May 2019, the Board announced purchases by the Company of up to $400 million, excluding commissions, of its outstanding common stock through the end of the second quarter of 2019.

In June 2019, the Board announced purchased by the Company of up to $1.1 billion, excluding commissions, of its outstanding common stock effective from the third quarter of 2019 through the end of the second quarter of 2020.

On January 30, 2020, the Company commenced a modified Dutch Auction tender offer to purchase up to $1 billion of shares of its common stock, at a range of between $23 and $26 per share, or such lesser number of shares of its common stock as are properly tendered and not properly withdrawn by the seller, in cash. The tender offer expires on February 27, 2020.

The following table presents information regarding repurchases of the Company's common stock as part of publicly announced plans or programs during the year ended December 31, 2019:

	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Repurchase program of up to $200 million				
Year ended December 31, 2018 (a)	—	$ —	—	$ 17,761
January 1 — January 31	965,430	18.40	965,430	—
Total	965,430		965,430	—
Repurchase program of up to $400 million				
April 1 — April 30	—	—	—	400,000
May 1 — May 31	365,055	22.79	365,055	391,680
June 1 — June 30	3,384,637	23.19	3,384,637	313,174
Total	3,749,692	23.16	3,749,692	313,174

	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Repurchase program of up to $1.1 billion				
June 1 — June 30	—	—	—	1,100,000
July 1 — July 31	2,269,628	25.48	2,269,628	1,042,170
August 1 — August 31	2,029,983	25.81	2,029,983	989,776
September 1 — September 30	1,180,039	26.00	1,180,039	959,095
October 1 — October 31	3,226,268	25.22	3,226,268	877,729
November 1 — November 30	449,370	24.21	449,370	866,849
December 1 — December 31	—	—	—	866,849
Total	9,155,288	25.47	9,155,288	866,849
	13,870,410		13,870,410	

(a) During the year ended December 31, 2018, the Company purchased 9,473,955 shares of its common stock under its share repurchase program at a cost of approximately $182 million, excluding commissions.

During the year ended December 31, 2019, the Company purchased 13,870,410 shares of it's common stock under its share repurchase program at a cost of approximately $338 million, excluding commissions.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands, except per share data)				
Income Statement Data					
Interest on retail installment contracts	$4,683,083	$4,487,614	$4,464,819	$4,615,459	$4,483,054
Interest on purchased receivables portfolios — credit impaired	4,007	8,569	30,129	69,701	91,157
Interest on receivables from dealers	240	458	2,802	3,718	4,537
Interest on personal loans	362,636	345,923	347,873	337,912	453,081
Interest on finance receivables and loans	5,049,966	4,842,564	4,845,623	5,026,790	5,031,829
Net leased vehicle income	902,137	721,963	489,944	492,212	311,373
Other finance and interest income	42,234	33,235	19,885	15,135	18,162
Interest expense	1,331,804	1,111,760	947,734	807,484	628,791
Net finance and other interest income	4,662,533	4,486,002	4,407,718	4,726,653	4,732,573
Provision for credit losses	2,093,749	2,205,585	2,363,811	2,468,200	2,785,871
Profit sharing	52,731	33,137	29,568	47,816	57,484
Other income	48,766	38,660	101,106	93,546	421,643
Operating expenses	1,210,551	1,093,672	1,311,436	1,143,472	1,021,249
Income before tax expense	1,354,268	1,192,268	804,009	1,160,711	1,289,612
Income tax (benefit) / expense	359,898	276,342	(368,798)	394,245	465,572
Net income	$ 994,370	$ 915,926	$1,172,807	$ 766,466	$ 824,040

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands, except per share data)				
Share Data					
Weighted-average common shares outstanding					
Basic	346,992,162	359,861,764	359,613,714	358,280,814	355,102,742
Diluted	347,507,507	360,672,417	360,292,330	359,078,337	356,163,076
Earnings per share					
Basic	$ 2.87	$ 2.55	$ 3.26	$ 2.14	$ 2.32
Diluted	2.86	2.54	3.26	2.13	2.31
Dividend paid per share	0.84	0.50	0.03	—	—
Balance Sheet Data					
Finance receivables held for investment, net	$ 27,767,019	$ 25,117,454	$ 22,394,286	$ 23,481,001	$ 23,367,788
Finance receivables held for sale, net	1,007,105	1,068,757	2,210,421	2,123,415	2,859,575
Goodwill and intangible assets	116,828	109,251	103,790	106,679	107,072
Total assets	48,933,529	43,959,855	39,402,799	38,539,104	36,448,958
Total borrowings	39,194,141	34,883,037	31,160,434	31,323,706	30,375,679
Total liabilities	41,614,909	36,941,497	32,937,097	33,300,485	32,016,409
Total equity	7,318,620	7,018,358	6,465,702	5,238,619	4,432,549
Allowance for credit losses	3,043,469	3,240,376	3,352,818	3,421,767	3,218,208

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands)				
Other Information					
Charge-offs, net of recoveries, on retail installment contracts	$ 2,288,812	$ 2,314,769	$ 2,420,241	$ 2,257,849	$ 1,795,771
Total charge-offs, net of recoveries	2,291,438	2,316,544	2,434,816	2,267,609	2,497,252
End of period delinquent principal over 59 days, retail installment contracts held for investment	1,578,452	1,712,243	1,642,934	1,620,117	1,383,509
End of period personal loans delinquent principal over 59 days, held for sale	175,152	177,369	175,660	176,873	168,906
End of period delinquent principal over 59 days, loans held for investment	1,580,048	1,713,775	1,645,789	1,626,755	1,400,806
End of period assets covered by allowance for credit losses	30,816,291	28,469,451	26,038,648	27,229,276	27,007,816
End of period gross retail installment contracts held for investment	30,776,038	28,432,760	25,993,117	27,127,973	26,863,946
End of period gross personal loans held for sale	1,481,037	1,529,433	1,524,158	1,558,790	2,445,200
End of period gross finance receivables and loans held for investment	30,788,706	28,480,583	26,059,035	27,427,578	27,368,579
End of period gross finance receivables, loans, and leases held for investment	48,379,072	43,719,240	37,257,495	37,040,531	34,694,875
Average gross retail installment contracts held for investment	29,248,201	27,227,705	26,804,609	27,253,756	25,949,907
Average gross personal loans held for investment	969	4,314	12,476	9,995	1,518,473

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands)				
Average gross retail installment contracts held for investment and held for sale	29,271,168	27,756,099	27,976,058	28,652,897	26,818,625
Average gross purchased receivables portfolios — credit impaired	25,673	36,075	146,362	286,354	562,512
Average gross receivables from dealers	13,110	15,229	52,435	71,997	89,867
Average gross personal loans held for investment and held for sale	1,393,456	1,404,261	1,419,417	1,413,440	2,229,080
Average gross finance leases	23,123	20,736	25,495	45,949	114,605
Average gross finance receivables and loans	30,726,530	29,232,400	29,619,767	30,470,637	29,814,689
Average gross operating leases	16,440,242	13,048,396	10,456,121	8,818,704	6,325,809
Average gross finance receivables, loans, and leases	47,166,772	42,280,796	40,075,889	39,289,341	36,140,498
Average managed assets	56,600,892	51,328,934	50,160,595	52,731,119	48,919,418
Average total assets	46,244,782	41,541,102	39,144,382	37,944,529	35,050,503
Average debt	36,727,416	32,570,257	31,385,153	31,330,686	29,699,885
Average total equity	7,243,438	6,905,796	5,648,670	4,850,653	4,096,042
Ratios					
Yield on retail installment contracts	16.0%	16.2%	16.0%	16.1%	16.7%
Yield on leased vehicles	5.5%	5.5%	4.7%	5.6%	4.9%
Yield on personal loans held for sale (1)	26.0%	24.6%	24.5%	23.9%	20.3%
Yield on earning assets (2)	12.7%	13.2%	13.4%	14.1%	14.8%
Cost of debt (3)	3.6%	3.4%	3.0%	2.6%	2.1%
Net interest margin (4)	9.9%	10.6%	11.0%	12.0%	13.1%
Expense ratio (5)	2.1%	2.1%	2.6%	2.2%	2.1%
Return on average assets (6)	2.2%	2.2%	3.0%	2.0%	2.4%
Return on average equity (7)	13.7%	13.3%	20.8%	15.8%	20.1%
Net charge-off ratio on retail installment contracts (8)	7.8%	8.5%	9.0%	8.3%	6.9%
Net charge-off ratio (8)	7.8%	8.5%	9.0%	8.2%	8.8%
Delinquency ratio on retail installment contracts held for investment, end of period (9)	5.1%	6.0%	6.3%	6.0%	5.2%
Delinquency ratio on loans held for investment, end of period (9)	5.1%	6.0%	6.3%	5.9%	5.1%
Equity to assets ratio (10)	15.0%	16.0%	16.4%	13.6%	12.2%
Tangible common equity to tangible assets (10)	14.8%	15.8%	16.2%	13.4%	11.9%
Common stock dividend payout ratio (11)	29.3%	19.6%	0.9%	— %	— %
Allowance ratio (12)	9.9%	11.4%	12.9%	12.6%	11.9%
Common Equity Tier 1 capital ratio (13)	14.8%	15.7%	16.4%	13.4%	11.2%

(1) Includes finance and other interest income; excludes fees.

(2) "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.

(3) "Cost of debt" is defined as the ratio of Interest expense to Average debt.

(4) "Net interest margin" is defined as the ratio of Net finance and other interest income to Average gross finance receivables, loans and leases.

(5) "Expense ratio" is defined as the ratio of Operating expenses to Average managed assets.

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

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

(8) "Net charge-off ratio" is defined as the ratio of annualized Charge-offs on a recorded investment basis, net of recoveries, to average unpaid principal balance of the respective held-for-investment portfolio.
(9) "Delinquency ratio" is defined as the ratio of End of period Delinquent principal over 59 days to End of period Gross balance of the respective portfolio, excluding finance leases.
(10) "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. Management believes this non-GAAP financial measure is useful to assess and monitor the adequacy of the Company's capitalization. This additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with GAAP and may not be comparable to similarly-titled measures used by other financial institutions. A reconciliation from GAAP to this non-GAAP measure for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 is as follows:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands)				
Total equity	$ 7,318,620	$ 7,018,358	$ 6,465,702	$ 5,238,619	$ 4,432,549
Deduct: Goodwill and intangibles	116,828	109,251	103,790	106,679	107,072
Tangible common equity	$ 7,201,792	$ 6,909,107	$ 6,361,912	$ 5,131,940	$ 4,325,477
Total assets	$48,933,529	$43,959,855	$39,402,799	$38,539,104	$36,448,958
Deduct: Goodwill and intangibles	116,828	109,251	103,790	106,679	107,072
Tangible assets	$48,816,701	$43,850,604	$39,299,009	$38,432,425	$36,341,886
Equity to assets ratio	15.0%	16.0%	16.4%	13.6%	12.2%
Tangible common equity to tangible assets	14.8%	15.8%	16.2%	13.4%	11.9%

(11) "Common stock dividend payout ratio" is defined as the ratio of Dividends declared per share of common stock to Earnings per share attributable to the Company's shareholders.
(12) "Allowance ratio" is defined as the ratio of Allowance for credit losses, which excludes impairment on purchased receivables portfolios—credit impaired, to End of period assets covered by allowance for credit losses.
(13) "Common Equity Tier 1 Capital ratio" is defined as the ratio of Total Common Equity Tier 1 Capital (CET1) to Total risk-weighted assets.

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(Dollar amounts in thousands)				
Total equity	$ 7,318,620	$ 7,018,358	$ 6,465,702	$ 5,238,619	$ 4,432,549
Deduct: Goodwill and other intangible assets, net of deferred tax liabilities	152,756	161,516	172,664	186,930	201,492
Deduct: Accumulated other comprehensive income, net	(26,693)	33,515	44,262	28,259	2,125
Tier 1 common capital (c)	$ 7,192,557	$ 6,823,327	$ 6,248,776	$ 5,023,430	$ 4,228,932
Risk weighted assets (a)	$48,761,825	$43,547,594	$38,174,087	$37,432,700	$37,628,938
Common Equity Tier 1 capital ratio	14.8%	15.7%	16.4%	13.4%	11.2%

(a) Under the banking agencies' risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet exposures are assigned to broad risk categories. The aggregate dollar amount in each risk category is multiplied by the associated risk weight of the category. The resulting weighted values are added together with the measure for market risk, resulting in the Company's total Risk weighted assets.

(b) CET1 is calculated under Basel III regulations required as of January 1, 2015. The fully phased-in capital ratios are non-GAAP financial measures.
(c) With the adoption of CECL on January 1, 2020, we elected to utilize regulatory relief which will permit us to phase in 25 percent of the capital impact of CECL in our calculation of regulatory capital amounts and ratios in 2020, and an additional 25 percent each subsequent year until fully-phased in by the first quarter of 2023.

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

Background and Overview

Santander Consumer USA Holdings Inc. was formed in 2013 as a corporation in the state of Delaware and is the holding company for Santander Consumer USA Inc., a full-service, technology-driven consumer finance company focused on vehicle finance and third-party servicing. The Company is majority-owned (as of February 20, 2020, approximately 72.4%) by SHUSA, a wholly-owned subsidiary of Santander.

The Company is managed through a single reporting segment, Consumer Finance, which includes its vehicle financial products and services, including retail installment contracts, vehicle leases, and Dealer Loans, as well as financial products and services related to recreational and marine vehicles, and other consumer finance products.

CCAP continues to be a focal point of the Company's strategy. On June 28, 2019, the Company entered into an Amendment to the Chrysler Agreement with FCA, which modified the Chrysler Agreement to, among other things, adjust certain performance metrics, exclusivity commitments and payment provisions. The Amendment also established an operating framework that is mutually beneficial for both parties for the remainder of the contract. The Company's average penetration rate under the Chrysler Agreement for the year ended December 31, 2019 was 34%, an increase from 30% for the same period in 2018.

The Company has dedicated financing facilities in place for its CCAP business and has worked strategically and collaboratively with FCA to continue to strengthen its relationship and create value within the CCAP program. During the year ended December 31, 2019, the Company originated $12.8 billion in CCAP loans which represented 56% of total retail installment contract originations (unpaid principal balance), as well as $8.5 billion in CCAP leases. Additionally, substantially all of the leases originated by the Company during the year ended December 31, 2019 were under the Chrysler Agreement. Since its May 2013 launch, CCAP has originated more than $65.9 billion in retail loans (excluding SBNA originations program) and purchased $41.9 billion in leases.

Economic and Business Environment

Unemployment rates continue to be at low levels of 3.5% as reported by the Bureau of Labor Statistics for December 31, 2019, and the federal funds rate was in the range of 1.50% to 1.75% on December 31, 2019.

Despite this stability, consumer debt levels continued to rise, specifically auto debt. As consumers assume higher debt levels, the Company may experience an increase in delinquencies and credit losses. Additionally, the Company is exposed to geographic customer concentration risk, which could have an adverse effect on the Company's business, financial position, results of operations or cash flow. Refer to Note 2—*"Finance Receivables"* to these accompanying consolidated financial statements for the details on the Company's retail installment contracts by state concentration.

How the Company Assesses its Business Performance

Net income, and the associated return on assets and equity, are the primary metrics by which the Company judges the performance of its business. Accordingly, the Company closely monitors the primary drivers of net income:

- *Net financing income* — The Company tracks the spread between the interest and finance charge income earned on assets and the interest expense incurred on liabilities, and continually monitors the components of its yield and cost of funds. The Company's effective interest rate on borrowing is driven by various items including, but not limited to, credit quality of the collateral assigned, used/unused portion of facilities, and reference rate for the credit spread. These drivers, as well as external rate trends, including the swap curve, spot and forward rates are monitored.
- *Net credit losses* — The Company performs net credit loss analysis at the vintage level for retail installment contracts, loans and leases, and at the pool level for purchased portfolios—credit impaired, enabling it to pinpoint drivers of any unusual or unexpected trends. The Company also monitors its recovery rates as well as industry-wide rates. Additionally, because delinquencies are an early indicator of future net credit losses, the Company analyzes delinquency trends, adjusting for seasonality, to determine if the Company's loans are performing in line with original estimations. The net credit loss analysis does not include considerations of the Company's estimated allowance for credit losses.
- *Other income* — The Company's flow agreements have resulted in a large portfolio of assets serviced for others. These assets provide a steady stream of servicing income and may provide a gain or loss on sale. The Company monitors the size of the portfolio and average servicing fee rate and gain. Additionally, due to the classification of the Company's personal lending portfolio as held for sale upon the decision to exit the personal lending line of business, adjustments to record this portfolio at the lower of cost or market are included in investment gains (losses), net, which is a component of other income (losses).
- *Operating expenses* — The Company assesses its operational efficiency using the cost-to-managed assets ratio. The Company performs extensive analysis to determine whether observed fluctuations in operating expense levels indicate a trend or are the nonrecurring impact of large projects. The operating expense analysis also includes a loan- and portfolio-level review of origination and servicing costs to assist the Company 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 the Company's earnings, the Company also closely monitors origination and sales volume along with APR and discounts (including subvention and net of dealer participation).

Recent Developments and Other Factors Affecting The Company's Results of Operations

Changes to Board of Directors & Management Team

Jose Doncel submitted his resignation from the Board, effective as of December 18, 2019. Also, on December 18, 2019, the Board appointed Homaira Akbari as a member of the Board, effective as of January 1, 2020.

Effective as of December 2, 2019, the Board appointed Mahesh Aditya, as President and CEO of the Company. Mr. Aditya replaced Scott Powell, who resigned as President and CEO and as a director of the Company, effective as of December 2, 2019.

Effective as of September 16, 2019, the Board appointed Fahmi Karam as CFO of the Company. Mr. Karam replaced Juan Carlos Alvarez de Soto, who departed from the Company to become CFO of SHUSA.

The Board appointed Shawn Allgood as Head of Chrysler Capital and Auto Relationships, effective as of July 19, 2019. Mr. Allgood replaced Richard Morrin, who resigned as President, Chrysler Capital and Auto Relationships, effective as of July 19, 2019.

Tender Offer

On January 30, 2020, the Company commenced a modified Dutch Auction tender offer to purchase up to $1 billion of shares of its common stock, at a range of between $23 and $26 per share, or such lesser number of shares of its common stock as are properly tendered and not properly withdrawn by the seller, in cash. The tender offer expires on February 27, 2020.

Volume

The Company's originations of loans and leases, including revolving loans, average APR, and dealer discount (net of dealer participation) for the year ended December 31, 2019, 2018 and 2017 were as follows:

	For the Year Ended December 31,		
	2019	**2018**	**2017**
	(Dollar amounts in thousands)		
Retained Originations			
Retail installment contracts	$15,835,618	$15,379,778	$11,634,395
Average APR	16.3%	17.3%	16.4%
Average FICO® (a)	598	595	602
Discount	(0.5)%	0.2%	0.7%
Personal loans (b)	$ 1,467,452	$ 1,482,670	$ 1,477,249
Average APR	29.8%	29.6%	25.7%
Leased vehicles	$ 8,520,489	$ 9,742,423	$ 5,987,648
Finance lease	$ 17,589	$ 9,794	$ 9,295
Total originations retained	$25,841,148	$26,614,665	$19,108,587
Sold Originations (c)			
Retail installment contracts	$ —	$ 1,820,085	$ 2,550,065
Average APR	— %	7.3%	6.2%
Average FICO® (d)	—	727	727
Total Originations Sold	$ —	$ 1,820,085	$ 2,550,065
Total SC Originations	25,841,148	28,434,750	21,658,652
Total originations (excluding SBNA Originations Program) (e)	$25,841,148	$28,434,750	$21,658,652

(a) Unpaid principal balance excluded from the weighted average FICO score is $1.8 billion, $1.9 billion and $1.5 billion as the borrowers on these loans did not have FICO scores at origination and $582 million, $76 million and $164 million of commercial loans for the years ended 2019, 2018 and 2017, respectively.

(b) Included in the total origination volume is $270 million, $304 million and $264 million for the years ended 2019, 2018 and 2017, respectively, related to newly opened accounts.

(c) There were no sales in 2019.

(d) Unpaid principal balance excluded from the weighted average FICO score is zero, $143 million and $318 million as the borrowers on these loans did not have FICO scores at origination and zero, $76 million and $102 million of commercial loans for the years ended 2019, 2018 and 2017, respectively.

(e) Total originations excludes finance receivables (UPB) of $1.1 billion, zero and zero purchased from third party lenders during the years ended December 31, 2019, 2018 and 2017, respectively.

Total auto originations (excluding SBNA Origination Program) decreased $2.6 billion, or 9.6%, from the year ended December 31, 2018 to the year ended December 31, 2019, since the Company has initiated the SBNA originations program as described below. The company's initiatives to improve our pricing as well as dealer and customer experience has increased our competitive position in the market. The Company continues to focus on optimizing the loan quality of its portfolio with an appropriate balance of volume and risk. CCAP volume and penetration rates are influenced by strategies implemented by FCA and the Company, including product mix and incentives.

SBNA Originations Program

Beginning in 2018, the Company agreed to provide SBNA with origination support services in connection with the processing, underwriting and purchase of retail auto loans, primarily from FCA dealers. In addition, the Company agreed to perform the servicing for any loans originated on SBNA's behalf. During the year ended December 31, 2019 and 2018 the Company facilitated the purchase of $7.0 billion and $1.9 billion of retail installment contacts, respectively.

The Company's originations of retail installment contracts and leases by vehicle type during the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Year Ended December 31,					
	2019		2018		2017	
	(Dollar amounts in thousands)					
Retail installment contracts						
Car	$ 5,644,541	35.6%	$ 6,291,037	36.6%	5,724,222	40.4%
Truck and utility	9,546,642	60.3%	10,062,285	58.5%	7,168,113	50.5%
Van and other (a)	644,435	4.1%	846,541	4.9%	1,292,125	9.1%
	$15,835,618	100.0%	$17,199,863	100%	$14,184,460	100%
Leased vehicles						
Car	$ 410,194	4.8%	$ 822,102	8.4%	1,017,410	17.0%
Truck and utility	7,831,086	91.9%	8,532,819	87.6%	4,582,753	76.5%
Van and other (a)	279,209	3.3%	387,502	4.0%	387,485	6.5%
	$ 8,520,489	100.0%	$ 9,742,423	100.0%	$ 5,987,648	100.0%
Total originations by vehicle type						
Car	$ 6,054,735	24.9%	$ 7,113,139	26.4%	$ 6,741,632	33.4%
Truck and utility	17,377,728	71.3%	18,595,104	69.0%	11,750,866	58.3%
Van and other (a)	923,644	3.8%	1,234,043	4.6%	1,679,610	8.3%
	$24,356,107	100.0%	$26,942,286	100.0%	$20,172,108	100.0%

(a) Other primarily consists of commercial vehicles.

The Company's asset sales for the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Year Ended December 31,		
	2019	2018	2017
	(Dollar amounts in thousands)		
Retail installment contracts	$—	$2,905,922	$2,979,033
Average APR	— %	7.2%	6.2%
Average FICO®	—	726	721

There were no asset sales during the year 2019.

The Company's portfolio of retail installment contracts held for investment and leases by vehicle type as of December 31, 2019 and 2018 are as follows:

	December 31, 2019		December 31, 2018	
	(Dollar amounts in thousands)			
Retail installment contracts				
Car	$12,286,182	39.9%	$13,011,925	45.7%
Truck and utility	17,238,406	56.0%	14,266,757	50.1%
Van and other (a)	1,251,450	4.1%	1,184,554	4.2%
	$30,776,038	100.0%	$28,463,236	100.0%
Leased vehicles				
Car	$ 1,237,803	7.1%	$ 1,590,621	10.5%
Truck and utility	15,795,594	89.8%	12,899,955	84.8%
Van and other (a)	529,385	3.1%	728,737	4.7%
	$17,562,782	100.0%	$15,219,313	100.0%
Total by vehicle type				
Car	$13,523,985	28.0%	$14,602,546	33.4%
Truck and utility	33,034,000	68.3%	27,166,712	62.2%
Van and other (a)	1,780,835	3.7%	1,913,291	4.4%
	$48,338,820	100.0%	$43,682,549	100.0%

(a) Other primarily consists of commercial vehicles.

The unpaid principal balance, average APR, and remaining unaccreted net discount of the Company's held for investment portfolio as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
	(Dollar amounts in thousands)	
Retail installment contracts (a)	$30,776,038	$28,463,236
Average APR	16.1%	16.7%
Discount	0.3%	0.8%
Personal loans (b)	$ —	$ 2,637
Average APR	— %	31.7%
Receivables from dealers	$ 12,668	$ 14,710
Average APR	4.0%	4.1%
Leased vehicles	$17,562,782	$15,219,313
Finance leases	$ 27,584	$ 19,344

(a) Of this balance as of December 31, 2019, $13.5 billion, $8.0 billion and $3.8 billion was originated in the years ended December 31, 2019, 2018 and 2017 respectively.

(b) The remaining balance of personal loans, held for investment, was charged off during the quarter ended June 30, 2019.

The Company records interest income from retail installment contracts 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 personal loans, for which the Company continues to accrue interest until charge-off, in the month in which the loan becomes 180 days past due, and receivables from dealers, for which the Company continues to accrue interest until the loan becomes more than 90 days past due.

The Company generally does not acquire receivables from dealers and term personal loans at a discount. The Company amortizes discounts, subvention payments from manufacturers, and origination costs as adjustments to

income from retail installment contracts using the effective yield method. The Company estimates future principal prepayments specific to pools of homogeneous loans which are based on the vintage, credit quality at origination and term of the loan. Prepayments in our portfolio are sensitive to credit quality, with higher credit quality loans generally experiencing higher voluntary prepayment rates than lower credit quality loans. The impact of defaults is not considered in the prepayment rate; the prepayment rate only considers voluntary prepayments. The resulting prepayment rate specific to each pool is based on historical experience, and is used as an input in the calculation of the constant effective yield. Our estimated weighted average prepayment rates ranged from 5.1% to 11.0% as of December 31, 2019, and 5.7% to 10.8% as of December 31, 2018. The Company amortizes the discount, if applicable, on revolving personal loans straight-line over the estimated period over which the receivables are expected to be outstanding.

For retail installment contracts, personal loans, finance leases, and receivables from dealers, the Company also establishes a credit loss allowance for the estimated losses inherent in the portfolio. The Company estimates 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. For loans within these portfolios that are classified as TDRs, impairment is measured based on the present value of expected future cash flows discounted at the original effective interest rate. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell.

The Company classifies most of its vehicle leases as operating leases. The Company records the net capitalized cost of each lease as an asset, which is depreciated straight-line over the contractual term of the lease to the expected residual value. The Company records lease payments due from customers 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 Company resumes and reinstates the accrual if a delinquent account subsequently becomes 60 days or less past due. The Company amortizes subvention payments from the manufacturer, down payments from the customer, and initial direct costs incurred in connection with originating the lease straight-line over the contractual term of the lease.

Historically, the Company's primary means of acquiring retail installment contracts has been through individual acquisitions immediately after origination by a dealer. The Company also periodically purchases pools of receivables and had significant volumes of these purchases during the credit crisis. During the year ended December 31, 2019, the Company purchased a pool of receivables from a third party lender for $1.09 billion, of which the Company elected the fair value option for $22 million deemed to be non-performing since it was determined that not all contractually required payments would be collected. The Company did not purchase any pools of non-performing loans during the years ended December 31, 2018 and 2017. In addition, during the years ended December 31, 2019, 2018 and 2017 the Company did recognize certain retail installment contracts with an unpaid principal balance of $74,718, $213,973 and $290,613 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 will be 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. For the Company's existing purchased receivables portfolios—credit impaired, which were acquired at a discount partially attributable to credit deterioration since origination, the Company estimates the expected yield on each portfolio at acquisition and record monthly accretion income based on this expectation. The Company periodically re-evaluates performance expectations and may increase the accretion rate if a pool is performing better than expected. If a pool is performing worse than expected, the Company is required to continue to record accretion income at the previously established rate and to record impairment to account for the worsening performance.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Interest on Finance Receivables and Loans

	For the Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Income from retail installment contracts	$4,683,083	$4,487,614	$195,469	4%
Income from purchased receivables portfolios — credit impaired	4,007	8,569	(4,562)	(53)%
Income from receivables from dealers	240	458	(218)	(48)%
Income from personal loans	362,636	345,923	16,713	5%
Total interest on finance receivables and loans	$5,049,966	$4,842,564	$207,402	4%

Income from retail installment contracts increased $195 million, or 4%, from 2018 to 2019, primarily due to a 5.5% increase in average outstanding balance of company's portfolio and new originations in 2019 with higher loan APRs.

Income from purchased receivables — credit impaired portfolios decreased $5 million, or 53%, from 2018 to 2019 due to the continued runoff of the portfolios, as the Company has made no portfolio acquisitions accounted for under ASC 310-30 since 2012.

Income from personal loans increased $17 million, or 5%, from 2018 to 2019, primarily due to newer originations with higher loan APRs.

Leased Vehicle Income and Expense

	For the Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Leased vehicle income	$2,764,258	$2,257,719	$506,539	22%
Leased vehicle expense	1,862,121	1,535,756	326,365	21%
Leased vehicle income, net	$ 902,137	$ 721,963	$180,174	25%

Leased vehicle income, net increased in 2019 as compared to 2018 due to an increase in average outstanding balance of the portfolio by 26%. Through the Chrysler Agreement, the Company receives manufacturer incentives on new leases originated under the program in the form of lease subvention payments, which are amortized over the term of the lease and reduce depreciation expense within leased vehicle expense.

Interest Expense

	For the Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Interest expense on notes payable	$1,356,245	$1,158,271	$197,974	17%
Interest expense on derivatives	(24,441)	(46,511)	22,070	(47)%
Total interest expense	$1,331,804	$1,111,760	$220,044	20%

Total Interest expense increased $220 million, or 20%, from 2018 to 2019 primarily due an increase in average outstanding debt balance by 13%.

Provision for Credit Losses

	For the Year Ended			
	December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Provision for credit losses	$2,093,749	$2,205,585	$(111,836)	(5)%

Provision for credit losses decreased $112 million, or 5%, from 2018 to 2019, primarily due to net charge off activity and portfolio composition. Our assets covered by allowance for credit losses have increased 8.2% from 2018 to 2019 but our total allowance ratio has decreased from 11.4% at December 31, 2018 to 9.9% at December 31, 2019, driven by lower TDR balances and better recovery rates.

Profit Sharing

	For the Year Ended			
	December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Profit sharing	$52,731	$33,137	$19,594	59%

Profit sharing expense consists of revenue sharing related to the Chrysler Agreement and profit sharing on personal loans originated pursuant to the agreements with Bluestem. Profit sharing expense increased in 2019 compared to 2018, primarily due to increase in lease portfolio and an increase in profit sharing eligible portfolio due to amendment to the Chrysler Agreement with FCA.

Other Income

	For the Year Ended			
	December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Investment losses, net	$ (406,687)	$ (401,638)	$ (5,049)	(1)%
Servicing fee income	91,334	106,840	(15,506)	(15)%
Fees, commissions, and other	364,119	333,458	30,661	9%
Total other income	$ 48,766	$ 38,660	$ 10,106	26%
Average serviced for others portfolio	$9,443,908	$9,048,124	$395,784	

Investment losses, net, remained flat from 2018 to 2019.

Servicing fee income decreased $16 million in 2019, as compared to 2018, due to the lower average balances for serviced portfolio that had higher servicing fee rates. The Company records servicing fee income on loans that it services but does not own and does not report on its balance sheet. The serviced for others portfolio as of December 31, 2019 and 2018 was as follows:

	December 31,	
	2019	2018
	(Dollar amounts in thousands)	
SBNA and Santander retail installment contracts	$ 8,800,689	$5,414,116
SBNA leases	177	338
Total serviced for related parties	8,800,866	5,414,454
CCAP securitizations	259,197	611,050
Other third parties	1,353,524	2,959,929
Total serviced for third parties	1,612,721	3,570,979
Total serviced for others portfolio	$10,413,587	$8,985,433

Fees, commissions, and other, primarily includes late fees, miscellaneous, and other income. This income increased in 2019 as compared 2018, primarily due to the increase in referral fee income from SBNA related to origination support services.

Total Operating Expenses

	For the Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Compensation expense	$ 510,743	$ 482,800	$ 27,943	6%
Repossession expense	262,061	264,777	(2,716)	(1)%
Other operating costs	437,747	346,095	91,652	26%
Total operating expenses	$1,210,551	$1,093,672	$116,879	11%

Compensation expense increased during 2019 compared to 2018, primarily due to an increase in average number of employees period over period.

Repossession expense remained flat from 2018 to 2019.

Other operating costs increased during 2019 compared to 2018, primarily due to an increase in legal accruals in 2019.

Income Tax Expense

	For the Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Income tax expense	$ 359,898	$ 276,342	$ 83,556	30%
Income before income taxes	1,354,268	1,192,268	162,000	14%
Effective tax rate	26.6%	23.2%		

The effective tax rate increased from 23.2% in 2018 to 26.6% in 2019, primarily due to certain state return to provision true-ups and decrease in electric vehicle credits in 2019.

Other Comprehensive Income (Loss)

	For the Year Ended			
	December 31,		Increase (Decrease)	
	2019	2018	Amount	Percent
	(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges and available-for-sale securities, net of tax	$(60,208)	$(16,896)	$(43,312)	(256)%

The change in unrealized gains (losses) for 2019 as compared to 2018 was primarily driven by interest income realized into the Statement of Income in 2019. In addition, as described in Note 8 "*Derivative Financial Instruments*", our cash flow hedge portfolio is in a net negative position because of the decreasing rate environment.

For information regarding the Company's analysis for the year ended December 31, 2018 to year ended December 31, 2017, refer to the Results of Operation detailed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2018 Annual Report on Form 10-K.

Credit Quality

Loans and Other Finance Receivables

Non-prime loans comprise 78% of the Company's portfolio as of December 31, 2019. The Company records an allowance for credit losses to cover the estimate of inherent losses on retail installment contracts and other loans and receivables held for investment. Refer to Note 2 — *"Finance Receivables"* to these accompanying consolidated financial statements for the details on the Company's held for investment portfolio of retail installment contracts, receivables from dealers and personal loans as of December 31, 2019 and 2018.

A summary of the credit risk profile of the Company's retail installment contracts held for investment, by FICO® score, number of trade lines, and length of credit history, each as determined at origination, as of December 31, 2019 and 2018 was as follows (dollar amounts in billions, totals may not foot due to rounding):

December 31, 2019											
Trade Lines		1		2		3		4+		Total	
FICO	Months History	$	%	$	%	$	%	$	%	$	%
No-FICO (a)	<36	$2.8	97%	$0.1	3%	$0.0	—%	$ 0.0	—%	$ 2.9	9%
	36+	0.3	38%	0.2	25%	0.1	13%	0.2	25%	0.8	3%
<540	<36	0.1	25%	0.1	25%	0.1	25%	0.1	25%	0.4	1%
	36+	0.1	2%	0.2	4%	0.2	4%	4.4	90%	4.9	16%
540-599	<36	0.3	43%	0.2	29%	0.1	14%	0.1	14%	0.7	2%
	36+	0.2	2%	0.3	3%	0.3	3%	8.3	91%	9.1	30%
600-639	<36	0.3	43%	0.2	29%	0.1	14%	0.1	14%	0.7	2%
	36+	0.1	2%	0.1	2%	0.2	4%	4.7	92%	5.1	17%
>640	<36	0.5	45%	0.1	9%	0.1	9%	0.4	36%	1.1	4%
	36+	0.1	2%	0.1	2%	0.1	2%	4.7	94%	5.0	16%
Total		**$4.8**	**16%**	**$1.6**	**5%**	**$1.3**	**4%**	**$23.0**	**75%**	**$30.8**	**100%**

December 31, 2018												
Trade Lines		1		2		3		4+		Total		
FICO	Months History	$	%	$	%	$	%	$	%	$	%
No-FICO (a)	<36	$2.5	96%	$0.1	4%	$ —	—	$ —	—	$ 2.6	9%
	36+	0.4	40%	0.2	20%	0.1	10%	0.3	30%	1.0	4%
<540	<36	0.1	25%	0.1	25%	0.1	25%	0.1	25%	0.4	1%
	36+	0.2	4%	0.3	5%	0.3	5%	4.7	86%	5.5	19%
540-599	<36	0.3	37%	0.2	25%	0.1	13%	0.2	25%	0.8	3%
	36+	0.2	2%	0.2	2%	0.3	4%	7.7	92%	8.4	30%
600-639	<36	0.2	33%	0.1	17%	0.1	17%	0.2	33%	0.6	2%
	36+	0.1	2%	0.1	2%	0.1	2%	4.2	94%	4.5	16%
>640	<36	0.3	43%	0.2	29%	0.1	14%	0.1	14%	0.7	2%
	36+	0.1	2%	0.1	2%	0.1	2%	3.7	94%	4.0	14%
Total		**$4.4**	**15%**	**$1.6**	**6%**	**$1.3**	**5%**	**$21.2**	**74%**	**$28.5**	**100%**

(a) Includes commercial loans

Delinquencies

The Company considers an account delinquent when an obligor fails to pay substantially all (defined as 90%) of the scheduled payment by the due date.

In each case, the period of delinquency is based on the number of days payments are contractually past due. Delinquencies may vary from period to period based upon the average age or seasoning of the portfolio, seasonality within the calendar year, and economic factors. Historically, the Company's delinquencies have been highest in the period from November through January due to consumers' holiday spending.

Refer to Note 4 — *"Credit Loss Allowance and Credit Quality"* to these accompanying consolidated financial statements for the details on the retail installment contracts held for investment that were placed on nonaccrual status, as of December 31, 2019 and 2018.

Credit Loss Experience

The following is a summary of net losses and repossession activity on retail installment contracts held for investment for the year ended December 31, 2019 and 2018.

	For the Year Ended December 31,	
	2019	2018
	(Dollar amounts in thousands)	
Principal outstanding at year end	$30,776,038	$28,463,236
Average principal outstanding during the period	$29,248,201	$27,263,780
Number of receivables outstanding at year end	1,810,973	1,800,081
Average number of receivables outstanding during the period	1,814,454	1,762,594
Number of repossessions (a)	285,661	287,694
Number of repossessions as a percent of average number of receivables outstanding	15.7%	16.3%
Net losses	$ 2,288,812	$ 2,313,286
Net losses as a percent of average principal amount outstanding	7.8%	8.5%

(a) Repossessions are net of redemptions. The number of repossessions includes repossessions from the outstanding portfolio and from accounts already charged off.

There were no charge-offs on the Company's receivables from dealers for the years ended December 31, 2019 and 2018. Net charge-offs on the finance lease receivables portfolio, totaled $769 and $1,642 for the years ended December 31, 2019 and 2018, respectively.

Deferrals and Troubled Debt Restructurings

In accordance with the Company's policies and guidelines, the Company may offer extensions (deferrals) to consumers on its retail installment contracts, whereby the consumer is allowed to move a maximum of three payments per event to the end of the loan. The Company's policies and guidelines limit the frequency of each new deferral that may be granted to one deferral every six months, regardless of the length of any prior deferral. The maximum number of lifetime months extended for all automobile retail installment contracts is eight, while some marine and recreational vehicle contracts have a maximum of twelve months extended to reflect their longer term. Additionally, the Company generally limits the granting of deferrals on new accounts until a requisite number of payments has been received. During the deferral period, the Company continues to accrue and collect interest on the loan in accordance with the terms of the deferral agreement.

At the time a deferral is granted, all delinquent amounts may be deferred or paid. This may result in the classification of the loan as current and therefore not considered a delinquent account. However, there are other instances when a deferral is granted but the loan is not brought completely current, such as when the account days past due is greater than the deferment period granted. Such accounts are aged based on the timely payment of future installments in the same manner as any other account. Historically, the majority of deferrals are approved for borrowers who are either 31-60 or 61-90 days delinquent, and these borrowers are typically reported as current after deferral. A customer is limited to one deferral each six months, and if a customer receives two or more deferrals over the life of the loan, the loan will advance to a TDR designation.

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

	December 31, 2019		December 31, 2018	
	(Dollar amounts in thousands)			
Never deferred	$23,830,368	77.3%	$20,212,452	71.0%
Deferred once	3,499,477	11.4%	3,690,522	13.0%
Deferred twice	1,463,503	4.8%	1,952,894	6.9%
Deferred 3 — 4 times	1,867,546	6.1%	2,516,451	8.8%
Deferred greater than 4 times	115,144	0.4%	90,917	0.3%
Total	$30,776,038		$28,463,236	

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

Changes in deferral levels do not have a direct impact on the ultimate amount of consumer finance receivables charged off. However, the timing of a charge-off may be affected if the previously deferred account ultimately results in a charge-off. To the extent that deferrals impact the ultimate timing of when an account is charged off, historical charge-off ratios, loss confirmation periods, and cash flow forecasts for loans classified as TDRs used in the determination of the adequacy of the Company's allowance for credit losses are also impacted.

Increased use of deferrals may result in a lengthening of the loss confirmation period, which would increase expectations of credit losses inherent in the portfolio and therefore increase the allowance for credit losses and

related provision for credit losses. Changes in the charge-off ratios and loss confirmation periods are considered in determining the appropriate level of allowance for credit losses and related provision for credit losses, including the allowance and provision for loans that are not classified as TDRs. For loans that are classified as TDRs, the Company generally compares the present value of expected cash flows to the outstanding recorded investment of TDRs to determine the amount of TDR impairment and related provision for credit losses that should be recorded. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell.

The Company also may agree, or be required by operation of law or by a bankruptcy court, to grant a modification involving one or a combination of the following: a reduction in interest rate, a reduction in loan principal balance, a temporary reduction of monthly payment, or an extension of the maturity date. The servicer of the Company's revolving personal loans also may grant modifications in the form of principal or interest rate reductions or payment plans. Similar to deferrals, the Company believes modifications are an effective portfolio management technique. Not all modifications are classified as TDRs as the loan may not meet the scope of the applicable guidance or the modification may have been granted for a reason other than the borrower's financial difficulties.

A loan that has been classified as a TDR remains so until the loan is liquidated through payoff or charge-off. TDRs are generally placed on nonaccrual status when the account becomes past due more than 60 days. For loans on nonaccrual status, interest income is recognized on a cash basis and the accrual of interest is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due.

TDR loans are generally measured based on the present value of expected cash flows. The recognition of interest income on TDR loans reflects management's best estimate of the amount that is reasonably assured of collection and is consistent with the estimate of future cash flows used in the impairment measurement. Any accrued but unpaid interest is fully reserved for through the recognition of additional impairment on the recorded investment, if not expected to be collected.

The following is a summary of the principal balance as of December 31, 2019 and 2018 of loans that have received these modifications and concessions;

	December 31, 2019	December 31, 2018
	Retail Installment Contracts	
	(Dollar amounts in thousands)	
Temporary reduction of monthly payment (a)	$1,168,358	$2,137,334
Bankruptcy-related accounts	41,756	54,373
Extension of maturity date	35,238	25,644
Interest rate reduction	61,870	54,906
Max buy rate and fair lending (b)	6,069,509	4,685,522
Other (c)	240,553	137,958
Total modified loans	$7,617,284	$7,095,737

(a) Reduces a customer's payment for a temporary time period (no more than six months)

(b) Max buy rate modifications comprises of loans modified by the Company to adjust the interest rate quoted in a dealer-arranged financing. The Company reassesses the contracted APR when changes in the deal structure are made (e.g., higher down payment and lower vehicle price). If any of the changes result in a lower APR, the contracted rate is reduced. Substantially all deal structure changes occur within seven days of the date the contract is signed. These deal structure changes are made primarily to give the consumer the benefit of a lower rate due to an improved contracted deal structure compared to the deal structure that was approved during the underwriting process. Fair Lending modifications comprises of loans modified by the Company related to possible "disparate impact" credit discrimination in indirect vehicle finance. These

modifications are not considered a TDR event because they do not relate to a concession provided to a customer experiencing financial difficulty.

(c) Includes various other types of modifications and concessions, such as hardship modifications that are considered a TDR event.

Refer to Note 4 — *"Credit Loss Allowance and Credit Quality"* to these accompanying consolidated financial statements for the details on the Company's recorded investment in TDRs and a summary of delinquent TDRs, as of December 31, 2019 and 2018.

The following table shows the components of the changes in the recorded investment in retail installment contract TDRs (excluding collateral-dependent bankruptcy TDRs) for the years ended December 31, 2019 and 2018:

	For the Year Ended December 31,	
	2019	**2018**
Balance — beginning of year	$ 5,365,477	$ 6,328,159
New TDRs	1,275,300	2,210,872
Charge-offs	(1,555,474)	(2,022,130)
Paydowns (a)	(1,256,801)	(1,154,940)
Others	390	3,516
Balance — end of year	$ 3,828,892	$ 5,365,477

(a) Includes net discount accreted in interest income for the period.

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 generally 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. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell. Due to this key distinction in allowance calculations, the coverage ratio is higher for TDRs in comparison to non-TDRs.

The table below presents the Company's allowance ratio for TDR and non-TDR retail installment contracts as of December 31, 2019 and 2018:

	December 31, 2019	**December 31, 2018**
	(Dollar amounts in thousands)	
TDR — Unpaid principal balance	$ 3,859,040	$ 5,378,603
TDR — Impairment	914,718	1,416,743
TDR — Allowance ratio	23.7%	26.3%
Non-TDR — Unpaid principal balance	$26,895,551	$23,054,157
Non-TDR — Allowance	2,123,878	1,819,360
Non-TDR Allowance ratio	7.9%	7.9%
Total — Unpaid principal balance	$30,754,591	$28,432,760
Total — Allowance	3,038,596	3,236,103
Total — Allowance ratio	9.9%	11.4%

The total allowance decreased from December 31, 2019 to December 31, 2018, primarily driven by lower TDR balances and better recovery rates.

Liquidity Management, Funding and Capital Resources

Source of Funding

The Company requires a significant amount of liquidity to originate and acquire loans and leases and to service debt. The Company funds its operations through its lending relationships with 13 third-party banks, SHUSA and through securitizations in the ABS market and flow agreements. The Company seeks to issue debt that appropriately matches the cash flows of the assets that it originates. The Company has more than $7.3 billion of stockholders' equity that supports its access to the securitization markets, credit facilities, and flow agreements.

During the year ended December 31, 2019, the Company completed on-balance sheet funding transactions totaling approximately $18.2 billion, including:

- securitizations on the Company's SDART platform for approximately $3.2 billion;
- securitizations on the Company's DRIVE, deeper subprime platform, for approximately $4.5 billion;
- lease securitizations on our SRT platform for approximately $3.7 billion;
- lease securitization on our PSRT platform for approximately $1.2 billion;
- private amortizing lease facilities for approximately $4.6 billion;
- securitization on the Company's SREV platform for approximately $0.9 billion.
- issuance of retained bonds on the Company's SDART platform for approximately $129.8 million; and
- issuance of a retained bond on the Company's SRT platform for approximately $60.4 million

Refer to Note 6 — *"Debt"* to these accompanying consolidated financial statements for the details on the Company's total debt.

Credit Facilities

Third-party Revolving Credit Facilities

Warehouse Lines

The Company uses warehouse facilities to fund its originations. Each facility specifies the required collateral characteristics, collateral concentrations, credit enhancement, and advance rates. The Company's warehouse facilities generally are backed by auto retail installment contracts or auto leases. These facilities generally have one- or two-year commitments, staggered maturities and floating interest rates. The Company maintains daily and long term funding forecasts for originations, acquisitions, and other large outflows such as tax payments to balance the desire to minimize funding costs with liquidity needs.

The Company's warehouse facilities generally have net spread, delinquency, and net loss ratio limits. Generally, these limits are calculated based on the portfolio collateralizing the respective line; however, for certain warehouse facilities, delinquency and net loss ratios are calculated with respect to the serviced portfolio as a whole. Failure to meet any of these covenants could trigger increased overcollateralization requirements or, in the case of limits calculated with respect to the specific portfolio underlying certain credit lines, result in an event of default under these agreements. If an event of default occurs under one of these agreements, the lenders could elect to declare all amounts outstanding under the impacted agreement to be immediately due and payable, enforce their interests against collateral pledged under the agreement, restrict the Company's ability to obtain additional borrowings under the agreement, and/or remove it as servicer. The Company has never had a warehouse facility terminated due to failure to comply with any ratio or a failure to meet any covenant. A default under one of these agreements can be enforced only with respect to the impacted facility.

The Company has one credit facility with eight banks providing an aggregate commitment of $5.0 billion for the exclusive use of providing short-term liquidity needs to support Chrysler Finance lease financing. As of December 31, 2019 there was an outstanding balance of approximately $1.1 billion on this facility in aggregate. The facility requires reduced Advance Rates in the event of delinquency, credit loss, or residual loss ratios, as well as other metrics exceeding specified thresholds.

The Company has seven credit facilities with eleven banks providing an aggregate commitment of $6.5 billion for the exclusive use of providing short-term liquidity needs to support Core and CCAP Loan financing. As of December 31, 2019 there was an outstanding balance of approximately $3.9 billion on these facilities in aggregate. These facilities reduced Advance Rates in the event of delinquency, credit loss, as well as various other metrics exceeding specific thresholds.

Repurchase Agreements

The Company obtains financing through investment management or repurchase agreements whereby the Company pledges retained subordinate bonds on its own securitizations as collateral for repurchase agreements with various borrowers and at renewable terms ranging up to one year. As of December 31, 2019 there was an outstanding balance of $422 million under these repurchase agreements.

Lines of Credit with Santander and Related Subsidiaries

Santander and certain of its subsidiaries, such as SHUSA, historically have provided, and continue to provide, the Company with significant funding support in the form of committed credit facilities. The Company's debt with these affiliated entities consisted of the following:

	As of December 31, 2019 (amounts in thousands)				
	Counterparty	Utilized Balance	Committed Amount	Average Outstanding Balance	Maximum Outstanding Balance
Promissory Note	SHUSA	$ 250,000	$ 250,000	$250,000	$250,000
Promissory Note	SHUSA	250,000	250,000	250,000	250,000
Promissory Note	SHUSA	250,000	250,000	250,000	250,000
Promissory Note	SHUSA	250,000	250,000	250,000	250,000
Promissory Note	SHUSA	300,000	300,000	247,397	300,000
Promissory Note	SHUSA	400,000	400,000	400,000	400,000
Promissory Note	SHUSA	400,000	400,000	400,000	400,000
Promissory Note	SHUSA	500,000	500,000	500,000	500,000
Promissory Note	SHUSA	500,000	500,000	275,342	500,000
Promissory Note	SHUSA	500,000	500,000	242,466	500,000
Promissory Note	SHUSA	650,000	650,000	650,000	650,000
Promissory Note	SHUSA	650,000	650,000	650,000	650,000
Promissory Note	SHUSA	750,000	750,000	205,479	750,000
Line of Credit	SHUSA	—	500,000	94,603	435,000
Line of Credit	SHUSA	—	3,000,000	—	—
		$5,650,000	$9,150,000		

SHUSA provides the Company with $3.5 billion of committed revolving credit that can be drawn on an unsecured basis. SHUSA also provides the Company with $5.7 billion of term promissory notes with maturities ranging from May 2020 to July 2024.

Secured Structured Financings

The Company's secured structured financings primarily consist of public, SEC-registered securitizations. The Company also executes private securitizations under Rule 144A of the Securities Act and privately issues

amortizing notes. The Company has on-balance sheet securitizations outstanding in the market with a cumulative ABS balance of approximately $28 billion.

The Company obtains long-term funding for its receivables through securitization in the ABS market. ABS provides an attractive source of funding due to the cost efficiency of the market, a large and deep investor base, and tenors that appropriately match the cash flows of the debt to the cash flows of the underlying assets. The term structure of a securitization generally locks in fixed rate funding for the life of the underlying fixed rate assets, and the matching amortization of the assets and liabilities provides committed funding for the collateralized loans throughout their terms. In certain cases, SC may choose to issue floating rate securities based on market conditions.

The Company executes each securitization transaction by selling receivables to securitization Trusts that issue ABS to investors. To attain specified credit ratings for each class of bonds, these securitization transactions have credit enhancement requirements in the form of subordination, restricted cash accounts, excess cash flow, and overcollateralization, whereby more receivables are transferred to the Trusts than the amount of ABS issued by the Trusts.

Excess cash flows result from the difference between the finance and interest income received from the obligors on the receivables and the interest paid to the ABS investors, net of credit losses and expenses. Initially, excess cash flows generated by the Trusts are used to pay down outstanding debt in the Trusts, increasing overcollateralization until a targeted percentage has been reached. Once the targeted overcollateralization is reached it is maintained and excess cash flows generated by the Trusts are released to the holder of the residual (generally the Company) as distributions from the Trusts. The Company also receives monthly servicing fees as servicer for the Trusts. The Company's securitizations may require an increase in credit enhancement levels if Cumulative Net Losses, as defined in the documents in certain ABS transactions, exceed a specified percentage of the pool balance. None of the Company's securitizations have Cumulative Net Loss percentages above their respective limits.

The Company's on-balance sheet securitization transactions utilize bankruptcy-remote special purpose entities, which are considered VIEs and meet the requirements to be consolidated in the Company's financial statements. Following a securitization, the finance receivables and the notes payable related to the securitized retail installment contracts remain on the consolidated balance sheets. The Company recognizes finance and interest income as well as fee income on the collateralized retail installment contracts and interest expense on the ABS issued. The Company also records a provision for credit losses to cover the estimate of inherent credit losses on the retail installment contracts. While these Trusts are consolidated in the Company's financial statements, these Trusts are separate legal entities. Thus, the finance receivables and other assets sold to these Trusts are legally owned by these Trusts, are available only to satisfy the notes payable related to the securitized retail installment contracts, and are not available to the Company's creditors or its other subsidiaries.

The Company's securitizations generally have several classes of notes, with principal paid sequentially based on seniority and any excess spread, once targeted levels are reached, distributed to the residual holder. The company, at times when economically favorable, retains the lowest bond class and the residual, except in the case of off-balance sheet securitizations, which are described further below. The Company uses the proceeds from securitization transactions to repay borrowings outstanding under its credit facilities, originate and acquire loans and leases, and for general corporate purposes. The Company generally exercises clean-up call options on its securitizations when the collateral pool balance reaches 10% of its original balance.

The Company also periodically privately issues amortizing notes in transactions that are structured similarly to its public and Rule 144A securitizations but are issued to banks and conduits. The Company's securitizations and private issuances are collateralized by vehicle retail installment contracts, loans and vehicle leases.

Flow Agreements

In addition to the Company's credit facilities and secured structured financings, the Company has a flow agreement in place with a third party for charged off assets. Loans and leases sold under these flow agreements are not on the Company's balance sheet but provide a stable stream of servicing fee income and may also provide a gain or loss on sale. The Company continues to actively seek additional flow agreements.

Off-Balance Sheet Financing

Beginning in 2017, the Company had the option to sell a contractually determined amount of eligible prime loans to Santander, through securitization platforms. As all of the notes and residual interests in the securitizations were issued to Santander, the Company recorded these transactions as true sales of the retail installment contracts securitized, and removed the sold assets from the Company's consolidated balance sheets. Beginning in 2018, this program has been replaced with a new program with SBNA, whereby the Company has agreed to provide SBNA with origination support services in connection with the processing, underwriting and purchasing of retail loans, primarily from FCA dealers, all of which are serviced by the Company.

Cash Flow Comparison

The Company has historically produced positive net cash from operating activities. The Company's investing activities primarily consist of originations, acquisitions, and collections from retail installment contracts. SC's financing activities primarily consist of borrowing, repayments of debt, share repurchases, and payment of dividends.

	For the Year Ended December 31,		
	2019	2018	2017
	(Dollar amounts in thousands)		
Net cash provided by operating activities	$ 5,533,233	$ 6,244,869	$ 3,941,346
Net cash used in investing activities	(9,272,431)	(10,415,788)	(3,590,333)
Net cash provided by financing activities	3,649,801	3,339,696	(186,785)

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased by $0.7 billion from the year ended December 31, 2018 to the year ended December 31, 2019, mainly due to lower origination of assets held for sale.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased by $1.1 billion from the year ended December 31, 2018 to the year ended December 31, 2019, primarily due to a decrease of $1.2 billion in leased vehicles purchased.

Net Cash Provided by Financing Activities

Net cash provided by financing activities increased by $0.3 billion from the year ended December 31, 2018 to the year ended December 31, 2019, primarily due to the increase of proceeds from notes payable.

Contingencies and Off-Balance Sheet Arrangements

For information regarding the Company's contingencies and off-balance sheet arrangements, refer to Note 7 — *"Variable Interest Entities"* and Note 11 — *"Commitments and Contingencies"* in the accompanying consolidated financial statements.

Contractual Obligations

The Company leases its headquarters in Dallas, Texas, its servicing centers in Texas, Colorado, Arizona, and Puerto Rico, and an operations facilities in California, Texas and Colorado under non-cancelable operating leases that expire at various dates through 2027. The Company also has various debt obligations entered into in the normal course of business as a source of funds.

The following table summarizes the Company's contractual obligations as of December 31, 2019:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(In thousands)		
Operating lease obligations	$ 16,715	$ 25,756	$ 25,379	$ 19,691	$ 87,541
Notes payable — credit facilities and related party	2,764,182	6,785,749	1,500,000	—	11,049,931
Notes payable — secured structured financings (a)	203,114	10,381,235	11,461,822	6,160,727	28,206,898
Contractual interest on debt	1,082,851	1,105,445	270,848	94,436	2,553,580
Total	$4,066,862	$18,298,185	$13,258,049	$6,274,854	$41,897,950

(a) Adjusted for unamortized costs of $65 million.

Risk Management Framework

The Company has established a Board-approved Governance Framework that outlines governance principles organized into the following sections: strategic plan; risk identification and assessment; risk appetite; delegation of authority, decision making and accountability; risk management, risk taking and risk ownership; oversight and controls; monitoring, reporting and escalation; incentive compensation; shared services; recovery and resolution planning. The Company also uses three lines of defense risk governance structure that assigns responsibility for risk management among front-line business personnel, an independent risk management function, and internal audit. The Chief Risk Officer (CRO), who reports to the CEO and to the Risk Committee of the Board and is independent of any business line, is responsible for developing and maintaining a risk framework designed to ensure that risks are appropriately identified and mitigated, and for reporting on the overall level of risk in the Company. The CRO is also accountable to SHUSA's Chief Risk Officer.

The Risk Committee is charged with responsibility for establishing the governance over the risk management process, providing oversight in managing the aggregate risk position and reporting on the comprehensive portfolio of risk categories and the potential impact these risks can have on the Company's risk profile. The Risk Committee meets no less often than quarterly and is chartered to assist the Board in promoting the best interests of the Company by overseeing policies, procedures and risk practices relating to enterprise-wide risk and compliance with regulatory guidance. Members of the Risk Committee are individuals whose experiences and qualifications can lead to broad and informed views on risk matters facing the Company and the financial services industry, including, but not limited to, risk matters that address credit, market, liquidity, operational, compliance and other general business conditions. A comprehensive risk report is submitted by the CRO to the Risk Committee of the Board at least quarterly providing management's view of the Company's risk position.

In addition to the Board and the Risk Committee, the CEO and CRO delegate risk responsibility to management committees. These committees include the Asset Liability Committee (ALCO), the Enterprise Risk Management Committee (EMRC), the Executive Risk Committee, the Credit Risk Committee and the Pricing Committee. The CRO is a member of each of these committees and chairs the ERMC.

Additionally, the Company has established an Enterprise Risk Management (ERM) function and implemented a Board-approved Enterprise Risk Management Framework to manage risks across the organization in a

comprehensive, consistent and effective fashion, enabling the firm to achieve its strategic priorities, including its business plan, within its expressed risk appetite. Accordingly, ERM oversees the implementation of the Board-approved Enterprise Risk Appetite Framework through which ERM manages the Company's Risk Appetite Statement, which details the type of risk and size of risk-taking activities permissible in the course of executing business strategy.

Credit Risk

The risk inherent in the Company's loan and lease portfolios is driven by credit and collateral quality, and is affected by borrower-specific and economy-wide factors such as changes in employment. The Company manages this risk through its underwriting, pricing and credit approval guidelines and servicing policies and practices, as well as geographic and other concentration limits.

The Company's automated originations process is intended to reflect a disciplined approach to credit risk management. The Company's robust historical data on both organically originated and acquired loans is used by Company to perform advanced loss forecasting. Each applicant is automatically assigned a risk score using information from Credit Bureau and credit application, placing the applicant in one of 80 pricing tiers. The Company continuously maintains and adjusts the pricing in each tier to reflect market and risk trends. In addition to the automated process, the Company maintains a team of underwriters for manual review, consideration of exceptions, and review of deal structures with dealers. The Company generally tightens its underwriting requirements in times of greater economic uncertainty to compete in the market at loss and approval rates acceptable for meeting the Company's required returns. The Company's underwriting policy has also been adjusted to meet the requirements of the Company's contracts such as the Chrysler Agreement. In both cases, the Company has accomplished this by adjusting risk-based pricing, the material components of which include interest rate, down payment, and loan-to-value.

The Company monitors early payment defaults and other potential indicators of dealer or customer fraud and uses the monitoring results to identify dealers who will be subject to more extensive requirements when presenting customer applications, as well as dealers with whom the Company will not do business at all.

Market Risk

Interest Rate Risk

The Company measures and monitors interest rate risk on at least a monthly basis. The Company borrows money from a variety of market participants to provide loans and leases to the Company's customers. The Company's gross interest rate spread, which is the difference between the income earned through the interest and finance charges on the Company's finance receivables and lease contracts and the interest paid on the Company's funding, will be negatively affected if the expense incurred on the Company's borrowings increases at a faster pace than the income generated by the Company's assets.

The Company has policies in place designed to measure, monitor and manage the potential volatility in earnings stemming from changes in interest rates. The Company generates finance receivables which are predominantly fixed rate and borrow with a mix of fixed and variable rate funding. To the extent that the Company's asset and liability re-pricing characteristics are not effectively matched, the Company may utilize interest rate derivatives, such as interest rate swap agreements, to mitigate against interest rate risk. As of December 31, 2019, the notional value of the Company's interest rate swap agreements was $3.9 billion. The Company also enters into Interest Rate Cap agreements as required under certain lending agreements. In order to mitigate any interest rate risk assumed in the Cap agreement required under the lending agreement, the Company may enter into a second interest rate cap (Back-to-Back). As of December 31, 2019 the notional value of the Company's interest rate cap agreements was $18.8 billion, under which, all notional was executed Back-to-Back.

The Company monitors its interest rate exposure by conducting interest rate sensitivity analysis. For purposes of reflecting a possible impact to earnings, the twelve-month net interest income impact of an instantaneous 100

basis point parallel shift in prevailing interest rates is measured. As of December 31, 2019, the twelve-month impact of a 100 basis point parallel increase in the interest rate curve would decrease the Company's net interest income by $49 million. In addition to the sensitivity analysis on net interest income, the Company also measures Market Value of Equity (MVE) to view the interest rate risk position. MVE measures the change in value of Balance Sheet instruments in response to an instantaneous 100 basis point parallel increase, including and beyond the net interest income twelve-month horizon. As of December 31, 2019, the impact of a 100 basis point parallel increase in the interest rate curve would decrease the Company's MVE by $91 million.

Collateral Risk

The Company's lease portfolio presents an inherent risk that residual values recognized upon lease termination will be lower than those used to price the contracts at inception. Although the Company has elected not to purchase residual value insurance at the present time, the Company's residual risk is somewhat mitigated by the residual risk-sharing agreement with FCA. Under the agreement, the Company is responsible for incurring the first portion of any residual value gains or losses up to the first 8%. The Company and FCA then equally share the next 4% of any residual value gains or losses (i.e., those gains or losses that exceed 8% but are less than 12%). Finally, FCA is responsible for residual value gains or losses over 12%, capped at a certain limit, after which the Company incurs any remaining gains or losses. From the inception of the agreement with FCA through the year ended December 31, 2019, approximately 89% of full term leases have not exceeded the first and second portions of any residual losses under the agreement. The Company also utilizes industry data, including the ALG benchmark for residual values, and employ a team of individuals experienced in forecasting residual values.

Similarly, lower used vehicle prices also reduce the amount that can be recovered when remarketing repossessed vehicles that serve as collateral underlying loans. The Company manages this risk through loan-to-value limits on originations, monitoring of new and used vehicle values using standard industry guides, and active, targeted management of the repossession process.

The Company does not currently have material exposure to currency fluctuations or inflation.

Liquidity Risk

The Company views liquidity as integral to other key elements such as capital adequacy, asset quality and profitability. The Company's primary liquidity risk relates to the ability to finance new originations through the Bank and ABS securitization markets. The Company has a robust liquidity policy that is intended to manage this risk. The liquidity risk policy establishes the following guidelines:

- that the Company maintain at least eight external credit providers (as of December 31, 2019, it had thirteen);
- that the Company relies on Santander and affiliates for no more than 30% of its funding (as of December 31, 2019, Santander and affiliates provided 14% of its funding);
- that no single lender's commitment should comprise more than 33% of the overall committed external lines (as of December 31, 2019, the highest single lender's commitment was 23% (not including repo)); and
- that no more than 35% and 65% of the Company's warehouse facilities mature in the next six months and twelve months respectively (as of December 31, 2019, two of the Company's warehouse facilities are scheduled to mature in the next six or twelve months).

The Company's liquidity risk policy also requires that the Company's Asset Liability Committee monitor many indicators, both market-wide and company-specific, to determine if action may be necessary to maintain the Company's liquidity position. The Company's liquidity management tools include daily, monthly and twelve-month rolling cash requirements forecasts, long term strategic planning forecasts, monthly funding usage and

availability reports, daily sources and uses reporting, structural liquidity risk exercises, key risk indicators, and the establishment of liquidity contingency plans. The Company also performs monthly stress tests in which it forecasts the impact of various negative scenarios (alone and in combination), including reduced credit availability, higher funding costs, lower Advance Rates, lending covenant breaches, lower dealer discount rates, and higher credit losses.

The Company generally seeks funding from the most efficient and cost effective source of liquidity from the ABS markets, third-party facilities, and Santander. Additionally, the Company can reduce originations to significantly lower levels, if necessary, during times of limited liquidity.

The Company had established a qualified like-kind exchange program to defer tax liability on gains on sale of vehicle assets at lease termination. If the Company does not meet the safe harbor requirements of IRS Revenue Procedure 2003-39, the Company may be subject to large, unexpected tax liabilities, thereby generating immediate liquidity needs. The Company believes that its compliance monitoring policies and procedures are adequate to enable the Company to remain in compliance with the program requirements. The Tax Cuts and Jobs Act permanently eliminated the ability to exchange personal property after January 1, 2018, which resulted in the like-kind exchange program being discontinued in 2018.

Operational Risk

The Company is exposed to operational risk loss arising from failures in the execution of our business activities. These relate to failures arising from inadequate or failed processes, failures in its people or systems, or from external events. The Company's operational risk management program includes Third Party Risk Management, Business Continuity Management, Information Risk Management, Information Risk Management, Fraud Risk Management, and Operational Risk Management, with key program elements covering Loss Event, Issue Management, Risk Reporting and Monitoring, and Risk Control Self-Assessment (RCSA).

To mitigate operational risk, the Company maintains an extensive compliance, internal control, and monitoring framework, which includes the gathering of corporate control performance threshold indicators, Sarbanes-Oxley testing, monthly quality control tests, ongoing compliance monitoring with applicable regulations, internal control documentation and review of processes, and internal audits. The Company also utilizes internal and external legal counsel for expertise when needed. Upon hire and annually, all associates receive comprehensive mandatory regulatory compliance training. In addition, the Board receives annual regulatory and compliance training. The Company uses industry-leading call mining that assist the Company in analyzing potential breaches of regulatory requirements and customer service.

Model Risk

The Company mitigates model risk through a robust model validation process, which includes committee governance and a series of tests and controls. The Company utilizes SHUSA's Model Risk Management group for all model validation to verify models are performing as expected and in line with their design objectives and business uses.

Critical Accounting Estimates

Accounting policies are integral to understanding the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. The Company's significant accounting policies are described in Note 1 — *"Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices"* in the accompanying consolidated financial statements; critical accounting estimates are

described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from the Company's judgments and assumptions, then it may have an adverse impact on the results of operations, financial condition, and cash flows. The Company's management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed the Company's disclosure relating to these estimates.

Credit Loss Allowance

The Company maintains a credit loss allowance (the allowance) for the Company's held-for-investment portfolio, excluding those loans measured at fair value in accordance with applicable accounting standards. For loans not classified as TDRs, the allowance is maintained at a level estimated to be adequate to absorb losses of recorded investment inherent in the portfolio, based upon a holistic assessment including both quantitative and qualitative considerations. For impaired loans, including those classified as TDRs, the allowance is comprised of impairment measured using a discounted cash flow model.

The quantitative framework is supported by credit models that consider several credit quality indicators including, but not limited to, historical loss experience and current portfolio trends. The transition based Markov model provides data on a granular and disaggregated/segment basis as it utilizes the recently observed loan transition rates from various loan statuses to forecast future losses. Transition matrices in the Markov model are categorized based on account characteristics, such as delinquency status, TDR type (deferment, modification, etc.), internal credit risk, origination channel, months on book, thin/thick file and time since TDR event. The credit models utilized differ among the Company's retail installment contracts, personal loans, finance leases and receivables from dealers. The credit models are adjusted by management through qualitative reserves to incorporate information reflective of the current business environment.

Management uses the qualitative framework to exercise judgment about matters that are inherently uncertain and that are not considered by the quantitative framework. These adjustments are documented and reviewed through the Company's risk management processes. Furthermore, management reviews, updates, and validates its process and loss assumptions on a periodic basis. This process involves an analysis of data integrity, review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

Accretion of Discounts and Subvention on Retail Installment Contracts

Finance receivables held for investment consist largely of nonprime automobile finance receivables, which are primarily acquired individually from dealers at a nonrefundable discount from the contractual principal amount. The Company also pays dealer participation on certain receivables. The amortization of discounts, subvention payments from manufacturers, and other origination costs are recognized as adjustments to the yield of the related contracts. The Company applies significant assumptions including prepayment speeds in estimating the accretion rates used to approximate effective yield. The Company estimates future principal prepayments specific to pools of homogenous loans which are based on the vintage, credit quality at origination and term of the loan. Prepayments in our portfolio are sensitive to credit quality, with higher credit quality loans generally experiencing higher voluntary prepayment rates than lower credit quality loans. The impact of defaults is not considered in the prepayment rate; the prepayment rate only considers voluntary prepayments. The resulting prepayment rate specific to each pool is based on historical experience, and is used as an input in the calculation of the constant effective yield.

Valuation of Automotive Lease Assets and Residuals

The Company has significant investments in vehicles in the Company's operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an

estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. At contract inception, the Company determines the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model using internally-generated data that is compared against third party, independent data for reasonableness. The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus a finance charge. However, since the customer is not obligated to purchase the vehicle at the end of the contract, the Company is exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, the Company depreciates automotive operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Periodically, the Company revises the projected value of the lease vehicle at termination based on current market conditions, and other relevant data points, and adjusts depreciation expense appropriately over the remaining term of the lease.

The Company periodically evaluates its investment in operating leases for impairment if circumstances, such as a systemic and material decline in used vehicle values, indicates that an impairment may exist. These circumstances could include, for example, shocks to oil and gas prices (which may have a pronounced impact on certain models of vehicles) or pervasive manufacturer defects (which may systemically affect the value of a particular vehicle brand or model). Impairment is determined to exist if fair value of the leased asset is less than carrying value and it is determined that the net carrying value is not recoverable. The net carrying value of a leased asset is not recoverable if it exceeds the sum of the undiscounted expected future cash flows expected to result from the lease payments and the estimated residual value upon eventual disposition. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No impairment was recognized in 2019, 2018 or 2017.

The Company’s depreciation methodology for operating lease assets considers management’s expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automotive lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) the Company’s remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements, if any. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, the Company’s depreciation expense would be negatively impacted.

Provision for Income Taxes

In determining taxable income, the Company must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain of the deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense.

The Company’s largest deferred tax liability relates to leased vehicles. This liability is primarily due to the acceleration of depreciation for tax purposes and the deferral of tax gains through like-kind exchange transactions in prior years. The Tax Cuts and Jobs Act permanently eliminated the ability to exchange personal property after January 1, 2018 which resulted in the like-kind exchange program being discontinued in 2018.

Because the volume of the Company's loan sales exceeds the "negligible sales" exception under section 475 of the Internal Revenue Code, the Company is classified as a dealer in securities for tax purposes. Accordingly, the Company must report its finance receivables and loans at fair value in the Company's tax returns. Changes in the fair value of Company's receivables and loans portfolios have a significant impact on the size of deferred tax assets and liabilities. Estimated fair value is dependent on key assumptions including prepayment rates, expected recovery rates, charge off rates and timing, and discount rates.

In evaluating the Company's ability to recover deferred tax assets, the Company considers all available positive and negative evidence including past operating results and the Company's forecast of future taxable income. In estimating future taxable income, the Company develops assumptions including the amount of future pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the Company's underlying businesses.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management records the effect of a tax rate or law change on the Company's deferred tax assets and liabilities in the period of enactment. Future tax rate or law changes could have a material effect on the Company's results of operations, financial condition or cash flows.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in the United States (including Puerto Rico). The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on estimates of whether, and the extent to which, additional taxes will be due in accordance with the authoritative guidance regarding the accounting for uncertain tax positions. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary.

For additional information regarding the Company's provision for income taxes, refer to Note 10 — *"Income Taxes"* in the accompanying financial statements.

Fair Value of Financial Instruments

The Company uses fair value measurements to determine fair value adjustments to certain instruments and fair value disclosures. Refer to Note 15 - *"Fair Value of Financial Instruments"* in the accompanying financial statements for a description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. The Company follows the fair value hierarchy set forth in Note 15 — *"Fair Value of Financial Instruments"* in the accompanying financial statements in order to prioritize the inputs utilized to measure fair value. The Company reviews and modifies, as necessary, the fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels due to changes in inputs to the valuation techniques used to measure fair value.

The Company has numerous internal controls in place to ensure the appropriateness of fair value measurements, including controls over the inputs into and the outputs from the fair value measurements. Certain valuations will also be benchmarked to market indices when appropriate and available.

Considerable judgment is used in forming conclusions from market observable data used to estimate the Company's Level 2 fair value measurements and in estimating inputs to the Company's internal valuation

models used to estimate Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, recovery rates and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, the Company's estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Recent Accounting Pronouncements

Information concerning the Company's implementation and impact of new accounting standards issued by the Financial Accounting Standards Board (FASB) is discussed in Note 1 — *"Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices"* in the accompanying consolidated financial statements under *"Recent Accounting Pronouncements."*

Market Data

Market data used in this Annual Report on Form 10-K has been obtained from independent industry sources and publications, such as the Federal Reserve Bank of New York; the Federal Reserve Bank of Philadelphia; the Federal Reserve Board; The Conference Board; the CFPB; Equifax Inc.; Experian Automotive; FCA; Fair Isaac Corporation; FICO® Banking Analytics Blog; Polk Automotive; the United States Department of Commerce: Bureau of Economic Analysis; J.D. Power; and Ward's Automotive Reports. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this Annual Report on Form 10-K.

For purposes of this Annual Report on Form 10-K, the Company categorizes the prime segment as borrowers with FICO® scores of 640 and above and the nonprime segment as borrowers with FICO® scores below 640.

Other Information

Further information on risk factors can be found under Part II, Item 1A — *"Risk Factors"*.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference from Part II, Item 7 — *"Management's Discussion and Analysis of Financial Conditions and Results of Operations — Risk Management Framework"* above.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Santander Consumer USA Holdings Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Santander Consumer USA Holdings Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Credit Loss Allowance on Retail Installment Contracts Held for Investment – Loss Given Default Model Assumption and Qualitative Adjustment to the Model

As described in Note 4 to the consolidated financial statements, as of December 31, 2019, management estimated a credit loss allowance on retail installment contracts held for investment of $3.0 billion. As disclosed by management, management assesses the adequacy of the credit loss allowance based upon a holistic assessment including both quantitative and qualitative considerations. Management's quantitative framework is supported by a credit model that considers several credit quality indicators including, but not limited to, historical loss experience and current portfolio trends. In developing the allowance, management utilizes a loss emergence period assumption, a loss given default assumption applied to the recorded investment, and a probability of default assumption. The credit model is adjusted by management through qualitative reserves to incorporate information reflective of the current business environment that is not considered by the quantitative framework.

The principal considerations for our determination that performing procedures relating to the credit loss allowance on retail installment contracts held for investment – loss given default model assumption and qualitative adjustment to the model is a critical audit matter are (i) there was significant judgment and estimation by management when determining the loss given default model assumption and qualitative adjustment to the model, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures relating to the credit loss allowance; (ii) significant audit effort was necessary in performing procedures relating to the loss given default model assumption and qualitative adjustment to the model; (iii) significant auditor judgment was necessary to evaluate the audit evidence obtained related to the loss given default model assumption and qualitative adjustment to the model; and (iv) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the credit loss allowance, including controls over the loss given default model assumption and qualitative adjustment to the model. These procedures also included, among others, testing management's

process for determining the credit loss allowance, including evaluation of the reasonableness of the loss given default model assumption and the qualitative adjustment and testing the completeness, accuracy, and relevance of underlying data used in the loss given default model assumption and the qualitative adjustment. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the methodology for determining the loss given default model assumption and the qualitative adjustment to the model, as well as evaluating whether the factors used to make the qualitative adjustment to the model are reasonable given current macroeconomic trends and portfolio characteristics.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
February 27, 2020
We have served as the Company's auditor since 2016.

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

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents — $41,785 and $101,334 held at affiliates, respectively	$ 81,848	$ 148,436
Finance receivables held for sale, net	1,007,105	1,068,757
Finance receivables held for investment, net	27,767,019	25,117,454
Restricted cash and cash equivalents — $27 and $341 held at affiliates, respectively	2,079,239	2,102,048
Accrued interest receivable	288,615	303,686
Leased vehicles, net	16,461,982	13,978,855
Furniture and equipment, net of accumulated depreciation of $85,347 and $72,345, respectively	59,873	61,280
Goodwill	74,056	74,056
Intangible assets, net of amortization of $52,665 and $45,324, respectively	42,772	35,195
Due from affiliates	30,841	9,654
Other assets	1,040,179	1,060,434
Total assets	$48,933,529	$43,959,855
Liabilities and Equity		
Liabilities:		
Total borrowings and other debt obligations — $5,652,325 and $3,503,293 from/to affiliates, respectively	39,194,141	34,883,037
Accounts payable and accrued expenses	499,326	472,321
Deferred tax liabilities, net	1,468,222	1,155,883
Due to affiliate	88,681	63,219
Other liabilities	364,539	367,037
Total liabilities	41,614,909	36,941,497
Commitments and contingencies (Notes 6 and 11)		
Equity:		
Common stock, $0.01 par value — 1,100,000,000 shares authorized; 362,798,115 and 362,028,916 shares issued and 339,201,748 and 352,302,759 shares outstanding, respectively	3,392	3,523
Additional paid-in capital	1,173,262	1,515,572
Accumulated other comprehensive income (loss), net of taxes	(26,693)	33,515
Retained earnings	6,168,659	5,465,748
Total stockholders' equity	7,318,620	7,018,358
Total liabilities and equity	$48,933,529	$43,959,855

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

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 the Company's general credit were as follows:

	December 31, 2019	December 31, 2018
Assets		
Restricted cash and cash equivalents	$ 1,629,870	$ 1,582,158
Finance receivables held for investment, net	26,532,328	24,151,971
Leased vehicles, net	16,461,982	13,978,855
Various other assets	625,359	685,383
Total assets	$45,249,539	$40,398,367
Liabilities		
Notes payable	$34,249,851	$31,949,839
Various other liabilities	188,093	122,010
Total liabilities	$34,437,944	$32,071,849

Certain amounts shown above are greater than the amounts shown in the corresponding line items in the accompanying 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 GAAP.

See notes to audited consolidated financial statements

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

	For the Year Ended December 31,		
	2019	**2018**	**2017**
Interest on finance receivables and loans	$ 5,049,966	$ 4,842,564	$ 4,845,623
Leased vehicle income	2,764,258	2,257,719	1,788,457
Other finance and interest income	42,234	33,235	19,885
Total finance and other interest income	7,856,458	7,133,518	6,653,965
Interest expense — Including $210,098, $166,952, and $148,345 to affiliates, respectively	1,331,804	1,111,760	947,734
Leased vehicle expense	1,862,121	1,535,756	1,298,513
Net finance and other interest income	4,662,533	4,486,002	4,407,718
Provision for credit losses	2,093,749	2,205,585	2,363,811
Net finance and other interest income after provision for credit losses	2,568,784	2,280,417	2,043,907
Profit sharing	52,731	33,137	29,568
Net finance and other interest income after provision for credit losses and profit sharing	2,516,053	2,247,280	2,014,339
Investment losses, net — Including $1,139, $(20,736), and $22,900 from affiliates, respectively	(406,687)	(401,638)	(366,439)
Servicing fee income — Including $57,630, $46,832, and $24,529 from affiliates, respectively	91,334	106,840	118,341
Fees, commissions, and other — Including $25,343, $14,213, and $900 from affiliates, respectively	364,119	333,458	349,204
Total other income	48,766	38,660	101,106
Compensation expense	510,743	482,800	581,017
Repossession expense	262,061	264,777	275,704
Other operating costs — Including $9,363, $12,926, and $5,253 to affiliates, respectively	437,747	346,095	454,715
Total operating expenses	1,210,551	1,093,672	1,311,436
Income before income taxes	1,354,268	1,192,268	804,009
Income tax expense	359,898	276,342	(368,798)
Net income	$ 994,370	$ 915,926	$ 1,172,807
Net income	$ 994,370	$ 915,926	$ 1,172,807
Other comprehensive income (loss):			
Change in unrealized gains (losses) on cash flow hedges, net of tax of $(19,581), $(6,427), and $270, respectively	(60,970)	(16,896)	16,003
Unrealized gains (losses) on available-for-sale debt securities net of tax of $245, $0, and $0 respectively	762	—	—
Comprehensive income	$ 934,162	$ 899,030	$ 1,188,810
Net income per common share (basic)	$ 2.87	$ 2.55	$ 3.26
Net income per common share (diluted)	$ 2.86	$ 2.54	$ 3.26
Dividend declared per common share	$ 0.84	$ 0.50	$ 0.03
Weighted average common shares (basic)	346,992,162	359,861,764	359,613,714
Weighted average common shares (diluted)	347,507,507	360,672,417	360,292,330

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), net	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance — January 1, 2017	358,908	$3,589	$1,657,611	$ 28,259	$3,549,160	$5,238,619
Cumulative-effect adjustment upon adoption of ASU 2016-09	—	—	1,439	—	25,113	26,552
Stock issued in connection with employee incentive compensation plans	1,776	18	9,086	—	—	9,104
Purchase of treasury stock	(157)	(2)	(3,768)	—	—	(3,770)
Stock based compensation expense	—	—	18,494	—	—	18,494
Dividends paid ($0.03 per share)	—	—	—	—	(10,803)	(10,803)
Tax sharing with affiliate	—	—	(1,304)	—	—	(1,304)
Net income	—	—	—	—	1,172,807	1,172,807
Other comprehensive income, net of taxes	—	—	—	16,003	—	16,003
Balance — December 31, 2017	360,527	$3,605	$1,681,558	$ 44,262	$4,736,277	$6,465,702
Cumulative-effect adjustment upon adoption of ASU 2018-02	—	—	—	6,149	(6,149)	—
Stock issued in connection with employee incentive compensation plans	1,250	13	5,942	—	—	5,955
Stock repurchase/Treasury stock	(9,474)	(95)	(182,465)	—	—	(182,560)
Stock based compensation expense	—	—	7,656	—	—	7,656
Dividends paid ($0.50 per share)	—	—	—	—	(180,306)	(180,306)
Tax sharing with affiliate	—	—	2,881	—	—	2,881
Net income	—	—	—	—	915,926	915,926
Other comprehensive income (loss), net of taxes	—	—	—	(16,896)	—	(16,896)
Balance — December 31, 2018	352,303	$3,523	$1,515,572	$ 33,515	$5,465,748	$7,018,358
Stock issued in connection with employee incentive compensation plans	769	8	1,322	—	—	1,330
Stock repurchase/Treasury stock	(13,870)	(139)	(337,828)	—	—	(337,967)
Stock based compensation expense	—	—	8,577	—	—	8,577
Dividends paid ($0.84 per share)	—	—	—	—	(291,459)	(291,459)
Tax sharing with affiliate	—	—	(14,381)	—	—	(14,381)
Available-for-sale securities, net of taxes	—	—	—	762	—	762
Net income	—	—	—	—	994,370	994,370
Other comprehensive income (loss), net of taxes	—	—	—	(60,970)	—	(60,970)
Balance — December 31, 2019	339,202	$3,392	$1,173,262	$(26,693)	$6,168,659	$7,318,620

See notes to audited consolidated financial statements.

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

	For the Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 994,370	$ 915,926	$ 1,172,807
Adjustments to reconcile net income to net cash provided by operating activities			
Derivative mark to market	12,899	(6,298)	(8,723)
Provision for credit losses	2,093,749	2,205,585	2,363,811
Depreciation and amortization	1,988,552	1,668,467	1,403,653
Accretion of discount	(70,046)	(158,477)	(246,038)
Originations and purchases of receivables held for sale	—	(1,852,628)	(3,624,718)
Proceeds from sales of and collections on receivables held for sale	127,984	3,143,462	3,099,258
Change in revolving personal loans, net	(360,923)	(371,716)	(329,167)
Investment losses, net	406,687	401,638	366,439
Stock-based compensation	8,577	7,656	18,494
Deferred tax expense	324,166	267,486	(360,495)
Changes in assets and liabilities:			
Accrued interest receivable	(1,210)	23,053	9,947
Accounts receivable	(1,886)	10,094	82,578
Federal income tax and other taxes	(3,004)	(3,153)	(7,262)
Other assets	(16,957)	(44,842)	(88,537)
Accrued interest payable	(3,184)	9,927	2,767
Other liabilities	16,097	27,515	50,700
Due to/from affiliates	17,362	1,174	35,832
Net cash provided by operating activities	5,533,233	6,244,869	3,941,346
Cash flows from investing activities:			
Originations and purchases of portfolios, and disbursements on finance receivables held for investment	(17,115,810)	(15,707,694)	(10,952,508)
Collections on finance receivables held for investment	12,312,080	10,683,915	10,113,377
Proceeds from sale of loans held for investment	—	—	135,577
Leased vehicles purchased	(8,573,425)	(9,819,357)	(6,007,775)
Manufacturer incentives received	801,966	1,111,421	888,532
Proceeds from sale of leased vehicles	3,426,687	3,327,649	2,274,238
Change in revolving personal loans, net	31,163	14,590	(18,761)
Purchases of available-for-sale securities	(85,098)	—	—
Proceeds from repayments and maturities of available-for-sale securities	6,000	—	—
Purchases of furniture and equipment	(16,358)	(10,394)	(16,556)
Sales of furniture and equipment	364	86	722
Upfront fee paid to FCA	(60,000)	—	—
Other investing activities	—	(16,004)	(7,179)
Net cash used in investing activities	(9,272,431)	(10,415,788)	(3,590,333)

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

	For the Year Ended December 31,		
	2019	2018	2017
Cash flows from financing activities:			
Proceeds from borrowings and other debt obligations, net of debt issuance costs — $8,725,000, $500,000, and $7,065,000 from affiliates, respectively	46,381,994	45,538,130	41,369,032
Payments on borrowings and other debt obligations — $(6,575,000), $0, and $(4,885,577) to affiliates, respectively	(42,107,268)	(41,845,857)	(41,560,118)
Proceeds from stock option exercises, gross	4,501	10,289	15,104
Shares repurchased	(337,967)	(182,560)	—
Dividends paid	(291,459)	(180,306)	(10,803)
Net cash provided by (used in) financing activities	3,649,801	3,339,696	(186,785)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	(89,397)	(831,223)	164,228
Cash and cash equivalent and restricted cash and cash equivalents — Beginning of year	2,250,484	3,081,707	2,917,479
Cash and cash equivalents and restricted cash and cash equivalents — End of year	$ 2,161,087	$ 2,250,484	$ 3,081,707
Supplemental cash flow information:			
Cash and cash equivalents	81,848	148,436	527,805
Restricted cash and cash equivalents	2,079,239	2,102,048	2,553,902
Total cash and cash equivalents and restricted cash and cash equivalents	$ 2,161,087	$ 2,250,484	$ 3,081,707

See notes to audited consolidated financial statements.

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

The Company is the holding company for SC Illinois, and its subsidiaries, a specialized consumer finance company focused on vehicle finance and third-party servicing and delivering service to dealers and customers across the full credit spectrum. The Company's primary business is the indirect origination and servicing of retail installment contracts and leases, principally, through manufacturer-franchised dealers in connection with their sale of new and used vehicles to retail consumers. Additionally, the Company sells consumer retail installment contracts through flow agreements and, when market conditions are favorable, it accesses the ABS market through securitizations of consumer retail installment contracts. SAF is our primary vehicle brand, and is available as a finance option for automotive dealers across the United States.

Since May 2013, under the Chrysler Agreement with FCA, the Company has operated as FCA's preferred provider for consumer loans, leases and dealer loans and provides services to FCA customers and dealers under the CCAP 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. On June 28, 2019, the Company entered into an Amendment to the Chrysler Agreement with FCA, which modified the Chrysler Agreement to, among other things, adjust certain performance metrics, exclusivity commitments and payment provisions. The Amendment also terminated the previously disclosed tolling agreement, dated July 11, 2018, between the Company and FCA.

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 other relationships through which it provides other consumer finance products.

As of December 31, 2019, the Company was owned approximately 72.4% by SHUSA, a subsidiary of Santander, and approximately 27.6% by other shareholders.

Basis of Presentation

The accompanying 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 preparation of financial statements in conformity with 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 recreational vehicles and marine vehicles. It also includes the Company's personal loan and point-of-sale financing operations.

Accounting Policies

Finance Receivables

Finance receivables are comprised of retail installment contracts, purchased receivables—credit impaired, receivables from dealer, personal loans, and finance lease receivables. Finance receivables are classified as either held for sale or held for investment, depending on the Company's intent and ability to hold the underlying contract for the foreseeable future or until maturity or payoff. Most of the Company's retail installment contracts held for investment are pledged under its warehouse facilities or securitization transactions.

Retail Installment Contracts

Retail installment contracts consist largely of nonprime automobile finance receivables, which are acquired from dealers at a nonrefundable discount from the contractual principal amount. Retail installment contracts also include receivables originated through a direct lending program and loan portfolios purchased from other lenders. Retail installment contracts are primarily classified as held for investment and carried at amortized cost, net of allowance for credit losses.

The Company has elected the fair value option for certain non-performing loans acquired through the exercise of a clean-up call. Accordingly, changes in the fair value of these finance receivables, which are based upon fair value estimates (Note 15), are reported in investment gains (losses), net, in the consolidated statements of income and comprehensive income.

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. For loans on nonaccrual status, interest income is recognized on a cash basis.

The Company considers an account delinquent when an obligor fails to pay substantially all (defined as 90%) of the scheduled payment by the due date. Payments generally are applied to interest first, then principal, then fees, regardless of a contract's accrual status. The payment following the partial payment must be a full payment, or the account will move into delinquency status at that time.

The amortization of discounts, subvention payments from manufacturers, and other origination costs on retail installment contracts held for investment are recognized as adjustments to the yield of the related contract using the effective interest method. The Company estimates future principal prepayments specific to pools of homogenous loans which are based on the vintage, credit quality at origination and term of the loan. Prepayments in our portfolio are sensitive to credit quality, with higher credit quality loans generally experiencing higher voluntary prepayment rates than lower credit quality loans. The impact of defaults is not considered in the prepayment rate; the prepayment rate only considers voluntary prepayments. The resulting prepayment rate specific to each pool is based on historical experience, and is used as an input in the calculation of the constant effective yield. Our estimated weighted average prepayment rates ranged from 5.1% to 11.0% as of December 31, 2019, and 5.7% to 10.8% as of December 31, 2018.

Purchased Receivables Portfolios -

Receivables portfolios purchased from other lenders or pursuant to a repurchase obligation that are purchased at amounts less than the principal amount of those receivables, resulting in a discount to par, are accounted for in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, if the discount was attributable, at least in part, to the expectation that not all contractual cash flows will be received from borrowers, which did not exist at the origination of the loans. The excess of the estimated undiscounted principal, interest, and other cash flows expected to be collected over the initial investment in the acquired loans, or accretable yield, is accreted to interest income over the expected life of the loans using the effective interest rate method.

The nonaccretable difference is the excess between the contractually required payments and the amount of cash flows, considering the impact of prepayments, expected to be collected. The nonaccretable difference is not accreted into income.

Any deterioration in the performance of the purchased portfolios results in an incremental impairment. Improvements in performance of the purchased pools that significantly increase actual or expected cash flows result in first a reversal of previously recorded impairment and then in a transfer of the excess from nonaccretable difference to accretable yield, which will be recorded as finance income over the remaining life of the receivables.

Receivable portfolios purchased from other lenders are considered non-credit impaired loans if they either do not have evidence of credit quality deterioration or it was not probable that the Company would not collect all contractually required payments, which will be evaluated using a number of factors including the loan's delinquency status, borrower's credit status, and roll rates. Accordingly, these loans will be accounted for in accordance with ASC 310—20. Under ASC 310-20, the difference between the loan's principal balance, at the time of purchase, and the fair value is recognized as an adjustment of yield over the life of the loan. All other policies related to interest income, calculation of allowance for loan losses, and recognizing TDRs would be similar to retail installment contracts acquired individually and originated by the Company.

Personal Loans, Net

Personal loans, net, consists of revolving finance receivables acquired individually under terms of the Company's agreements with certain third parties who originate and continue to service the loans.

Interest is accrued when earned in accordance with the terms of the contract. The accrual of interest on revolving personal loans continues until the receivable becomes 180 days past due, at which point the principal amount and interest are charged off.

Receivables from Dealers

Receivables from dealers include Floorplan Loans provided to dealerships to finance new and used vehicles for their inventory. Receivables from dealers also include real estate loans and working capital revolving lines of credit. Interest on these loans is accrued when earned in accordance with the agreement with the dealer.

Finance Receivables Held for Sale, Net

Finance receivables, which may include any of the receivables described above, that the Company does not have the intent and ability to hold for the foreseeable future or until maturity or payoff, including those previously designated as held for investment and subsequently identified for sale, are classified as held for sale, at origination or at the time a decision to sell is made. Finance receivables designated as held for sale are carried at the lower of cost or market, as determined on an aggregate basis. Cost, or recorded investment, includes deferred net origination fees and costs, premium or discounts, accrued interest, manufacturer subvention (if any) and any direct write-down of the investment. When loans are transferred from held for investment, the Company records charge offs as per its charge off policy. Any excess allowance is reversed through provision expense. Subsequent to the initial measurement of retail installment contracts and personal loans held for sale, market declines in the recorded investment, whether due to credit or market risk, are recorded through investment gains (losses), net of lower of cost or market adjustments.

Provision for Credit Losses

Provisions for credit losses are charged to operations in amounts sufficient to support the credit loss allowance in accordance with the Company's estimate. The Company estimates an allowance on retail

installment contracts and personal loans held for investment not classified as TDRs at a level considered adequate to cover expected net credit losses inherent in the recorded investment of that portfolio. Probable losses are estimated based on contractual delinquency status and historical loss experience, in addition to the Company's judgment of estimates of the value of the underlying collateral, changes in the used vehicle value index, delinquency status, historical collection rates and other information in order to make the necessary judgments as to probable loan losses. For loans classified as TDRs, impairment is generally measured based on the present value of expected future cash flows discounted at the original effective interest rate. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell. Provisions for credit losses are also charged to operations for impairment on TDRs.

Retail installment contracts are charged off against the allowance in the month in which the account becomes greater than 120 days contractually delinquent if the Company has not repossessed the related vehicle. The Company charges off accounts in repossession when the automobile is repossessed and legally available for disposition. A net charge-off represents the difference between the estimated sales proceeds and the Company's recorded investment in the related contract. Costs to sell the vehicle are presented in repossession expense. Accounts in repossession that have been charged off and are pending liquidation are removed from retail installment contracts and the related repossessed automobiles are included in other assets in the Company's consolidated balance sheets.

In addition to maintaining a general allowance based on risk ratings, receivables from dealers are evaluated individually for impairment with allowances established for receivables determined to be individually impaired. Receivables from dealers are charged off against these allowances at the time that the credit is considered uncollectable and of such little value that it does not warrant consideration as an active asset.

Troubled Debt Restructurings

A modification of finance receivable terms is considered a troubled debt restructuring (TDR) if the Company grants a concession it would not otherwise have considered to a borrower for economic or legal reasons related to the debtor's financial difficulties. The Company considers TDRs to include all retail installment contracts or personal revolving loans 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—credit impaired, operating and finance leases, and loans held for sale are excluded from the scope of the applicable guidance, and none of the Company's Dealer Loans have been modified or deferred.

For TDRs, impairment is generally measured based on the difference between the recorded investment of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. TDRs are evaluated for impairment individually or in aggregate for those loans with similar risk characteristics.

Leased Vehicles, Net (SC as Lessor)

Most vehicles for which the Company is the lessor are classified as operating leases, as they do not meet the accounting requirements to be classified as a finance lease. The net capitalized cost of each lease is recorded as an asset and depreciated on a straight-line basis over the contractual term of the lease to the expected residual value. The expected residual value and, accordingly, the monthly depreciation expense may change throughout the term of the lease. The Company estimates expected residual values using independent data sources and internal statistical models that take into consideration economic conditions, current auction results, the Company's remarketing abilities, and manufacturer vehicle and marketing programs. Over the life of the lease, the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle at lease termination changes.

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 treated as a reduction to the cost basis of the underlying lease asset and are amortized on a straight-line basis over the contractual term of the lease. The amortization of manufacturer subvention payments is reflected as a reduction to depreciation expense over the life of the contract.

The Company periodically evaluates its investment in operating leases for impairment if circumstances, such as a systemic and material decline in used vehicle values, indicates that an impairment may exist. These circumstances could include, for example, shocks to oil and gas prices (which may have a pronounced impact on certain models of vehicles) or pervasive manufacturer defects (which may systemically affect the value of a particular vehicle brand or model). Impairment is determined to exist if fair value of the leased asset is less than carrying value and it is determined that the net carrying value is not recoverable. The net carrying value of a leased asset is not recoverable if it exceeds the sum of the undiscounted expected future cash flows expected to result from the lease payments and the estimated residual value upon eventual disposition. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No impairment was recognized in 2019, 2018, or 2017.

Finance Lease Receivables, net (SC as Lessor)

Leases classified as finance leases are accounted for as direct financing leases. Minimum lease payments plus the estimated residual value of the leased vehicle are recorded as the gross investment. The difference between the gross investment and the cost of the leased vehicle is recorded as unearned income. Direct financing leases are reported at the aggregate of gross investments, net of unearned income and allowance for lease losses. Income for direct financing leases is recognized using the effective interest method, which provides a constant periodic rate of return on the outstanding investment on the lease.

Fees, commissions, and other

Fees, commissions, and other primarily include late fees, miscellaneous, and other income, and are generally recorded when there is no doubt as to the collectability of the related receivable.

Repossessed Vehicles and Repossession Expense

Repossessed vehicles represent vehicles the Company has repossessed due to the borrowers' default on the payment terms of the retail installment contracts, loans or leases. The Company generally begins repossession activity once a customer has reached 60 days past due. The customer has an opportunity to redeem the repossessed vehicle by paying all outstanding balances, including finance charges and fees. Any vehicles not redeemed are sold at auction. The Company records the vehicles currently in its inventory at the lower of cost or estimated fair value, net of estimated costs to sell (See Notes 9 and 15).

Repossession expense includes the costs to repossess and sell vehicles obtained due to borrower default. These costs include transportation, storage, rekeying, condition reports, legal fees, the fees paid to repossession agents and auction fees.

Sales of Finance Receivables and Leases

The Company transfers retail installment contracts into newly formed Trusts, which then issue one or more classes of notes payable backed by the retail installment contracts.

The Company's continuing involvement with the credit facilities and Trusts are in the form of servicing loans held by the special purpose entities (SPEs) and, generally, through holding a residual interest in the SPE. These transactions are structured without recourse. The Trusts are considered VIEs under GAAP and are consolidated when the Company has: (a) power over the significant activities of the entity and (b) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE.

The Company has power over the significant activities of those Trusts as servicer of the financial assets held in the Trust. Servicing fees are not considered significant variable interests in the Trusts; however, when the Company also retains a residual interest in the Trust, either in the form of a debt security or equity interest, the Company has an obligation to absorb losses or the right to receive benefits that are potentially significant to the SPE. For all VIEs in which the Company is involved, the Company assesses whether it is the primary beneficiary of the VIE on an ongoing basis. In circumstances where the Company have both the power to direct the activities that most significantly impact the VIEs performance and the obligation to absorb losses or the right to receive benefits of the VIE that could be significant, the Company would conclude that it is the primary beneficiary of the VIE, and accordingly, these Trusts are consolidated within the consolidated financial statements, and the associated retail installment contracts, borrowings under credit facilities and securitization notes payable remain on the consolidated balance sheets.

In situations where the Company is not deemed to be the primary beneficiary of the VIE, the Company does not consolidate the VIE and only recognizes its interests in the VIE. These securitizations involving Trusts are treated as sales of the associated retail installment contracts.

While these Trusts are included in the consolidated financial statements, these Trusts are separate legal entities; thus, the finance receivables and other assets sold to these Trusts are legally owned by these Trusts, are available only to satisfy the notes payable related to the securitized retail installment contracts, and are not available to the Company's creditors or other subsidiaries.

The Company also sells retail installment contracts and leases to VIEs or directly to third parties, which the Company may determine meet sale accounting treatment in accordance with the applicable guidance. Due to the nature, purpose, and activity of these transactions, the Company 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. The transferred financial assets are removed from the Company's consolidated balance sheets at the time the sale is completed. The Company generally remains the servicer of the financial assets and receives servicing fees. The Company also recognizes a gain or loss for the difference between the fair value, as measured based on sales proceeds plus (or minus) the value of any servicing asset (or liability) retained and carrying value of the assets sold.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company has maintained balances in various operating and money market accounts in excess of federally insured limits.

Restricted Cash

Cash deposited to support securitization transactions, lockbox collections, and the related required reserve accounts is recorded in the Company's consolidated balance sheet as restricted cash. Excess cash flows generated by the securitization trusts are added to the restricted cash reserve account, creating additional over-collateralization until the contractual securitization requirement has been reached. Once the targeted reserve requirement is satisfied, additional excess cash flows generated by the Trusts are released to the Company as distributions from the Trusts. Lockbox collections are added to restricted cash and released when transferred to the appropriate warehouse facility or Trust.

Income Taxes

Income tax expense consists of income taxes currently payable and deferred income taxes computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The deferred tax asset is subject to reduction by a valuation allowance in certain circumstances. This valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be realized based on a review of available evidence. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records the benefit of uncertain tax positions in the consolidated financial statements when such positions (1) meet a more-likely-than-not threshold, (2) are settled through negotiation or litigation, or (3) the statute of limitations for the taxing authority to examine the position has expired. Tax benefits associated with an uncertain tax position are derecognized in the period in which the more-likely-than-not recognition threshold is no longer satisfied.

Furniture and Equipment

Furniture and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. Depreciation and amortization on furniture and equipment for the years ended December 31, 2019, 2018 and 2017 totaled $17,050, $18,785, and $17,682, respectively. Expenditures for major renewals and betterments are capitalized. Repairs and maintenance expenditures are charged to operations as incurred.

Operating Leases (SC as Lessee)

Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate for a collateralized borrowing based on the duration of the lease term in determining the present value of lease payments. The lease term includes options to extend or terminate a lease when the Company considers it reasonably certain that such options will be exercised. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Lease expense for operating lease is recognized on a straight-line basis over the lease term.

Goodwill and Intangibles

Goodwill represents the excess of consideration paid over fair value of net assets acquired in business combinations. Intangibles represent intangible assets purchased or acquired through business combinations, including trade names and software development costs. Intangibles are amortized over their estimated useful lives. The Company tests goodwill for impairment annually in accordance with the provisions of ASC 350, *Intangibles-Goodwill and Other*.

Derivative Financial Instruments

Derivative financial instruments are recognized as either assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value of each derivative financial instrument

depends on whether it has been designated and qualifies as a hedge for accounting purposes, as well as the type of hedging relationship identified. The Company does not use derivative instruments for trading or speculative purposes.

Interest Rate Swap Agreements — The Company uses interest rate swaps to hedge the variability of cash flows on securities issued by securitization Trusts and borrowings under the Company's warehouse facilities. Certain interest rate swap agreements are designated and qualify as cash flow hedges, and are highly effective in reducing exposure to interest rate risk from both an accounting and an economic perspective.

At hedge inception and at least quarterly, the interest rate swap agreements designated as accounting hedges are assessed to determine their effectiveness in offsetting changes in the cash flows of the hedged items and whether those interest rate swap agreements may be expected to remain highly effective in future periods.

The Company uses the hypothetical derivative method to assess hedge effectiveness of cash flow hedges on a prospective and retrospective basis. At December 31, 2019, all of the Company's interest rate swap agreements designated as cash flow hedges are deemed to be effective hedges for accounting purposes.

The changes in the fair value of the interest rate swaps qualifying as cash flow hedges are included as a component of other comprehensive income(loss), net of estimated income taxes, as an unrealized gain or loss on cash flow hedges. These unrealized gains or losses are recognized as adjustments to income over the same period in which cash flows from the related hedged item affect earnings. The Company discontinues hedge accounting prospectively when it is determined that an interest rate swap agreement has ceased to be effective as an accounting hedge or if the underlying hedged cash flow is no longer probable of occurring.

The Company has also entered into interest rate swap agreements related to its securitization trusts and warehouse facilities that are not designated as hedges. These agreements are intended to reduce the risk of interest rate fluctuations. For the interest rate swap agreements not designated as hedges, any gains or losses are included in the Company's earnings as a component of interest expense.

Interest Rate Cap Agreements — The Company purchases interest rate cap agreements to limit floating rate exposures on securities issued in credit facilities. As part of the interest rate risk management strategy, and when economically feasible, the Company may simultaneously sell a corresponding written option to offset the premium paid to purchase the interest rate cap agreement and thus retain the interest rate risk. Because these instruments entered into directly by the Company or through SPEs are not designated for hedge accounting, changes in the fair value of interest rate cap agreements purchased by the SPEs and written option sold by the Company are recorded in interest expenses on the consolidated statements of income and comprehensive income.

Stock-Based Compensation

The Company measures the compensation cost of stock-based awards using the estimated fair value of those awards on the grant date, and recognizes the cost as expense over the vesting period of the awards (see Note 16).

Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. It is computed after giving consideration to the weighted average dilutive effect of the Company's stock options and restricted stock grants. Because the Company has issued participating securities in the form of unvested restricted stock that has dividend rights, the Company applies the two-class method when computing earnings per share.

Recently Adopted Accounting Standards

Since January 1, 2019, the Company adopted the following FASB ASUs:

- In February 2016, the FASB issued ASU 2016-02, *Leases*. The primary effect of the ASU is to replace the existing accounting requirements for operating leases for lessees. Lessee accounting requirements for finance leases and lessor accounting requirements for operating leases and sales type and direct financing leases (sales-type and direct financing leases were both previously referred to as capital leases) are largely unchanged. The Company adopted this standard using the modified retrospective method and utilized the optional transition method under which we continue to apply the legacy guidance in ASC 840, Leases, including its disclosure requirements, in the comparative period presented.

  For all our operating leases (primarily our office space/facility leases), where the Company is a lessee, adoption of the new standard resulted in recognizing on our balance sheet, a right-of-use ("ROU") asset of $67,300, a reduction of accounts payable and accrued expenses of $24,100 relating to straight-line rent accruals and unamortized tenant improvement allowances, and a lease liability of $91,400. The right-of-use-asset and lease liability will be derecognized in a manner that effectively yields a straight-line lease expense over the lease term. In addition, the Company will no longer capitalize certain initial direct costs in connection with lease originations where it is the lessor.

  Further, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We elected not to (a) use the hindsight practical expedient to determine the lease term for existing leases; and (b) recognize a lease liability and associated ROU asset for short term leases if such lease meet the definition under ASC 842. We chose not to elect the practical expedient to not separate non-lease components from lease components. The standard did not have a material impact on our consolidated statement of income or consolidated statement of cash flows.

- In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company adopted this standard effective January 1, 2019 and it did not have a material impact on the Company's business, financial position or results of operations.

The adoption of the following ASUs did not have a material impact on the Company's business, financial position or results of operations.

- ASU 2017-08, *Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*

- ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*

- ASU 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*

- ASU 2018-16, Derivatives and Hedging (Topic 815), *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes.*

- ASU 2018-09, *Codification Improvements*

Recently Issued Accounting Pronouncements

- In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This guidance significantly changes how entities will measure credit losses for most financial assets and certain other instruments that measured at amortized cost. The amendment introduces a new credit reserving framework known as "Current Expected Credit Loss" ("CECL"), which replaces the incurred loss impairment framework in current GAAP with one that reflects expected credit losses over the full expected life of financial assets and commitments, and requires consideration of a broader range of reasonable and supportable information, including estimation of future expected changes in macroeconomic conditions. Additionally, the standard changes the accounting framework for purchased credit deteriorated HTM debt securities and loans, and dictates measurement of AFS debt securities using an allowance instead of reducing the carrying amount as it is under the current OTTI framework. The Company adopted the new guidance on January 1, 2020.

  The Company established a cross-functional working group for implementation of this standard. Generally our implementation process included data sourcing and validation, development and validation of loss forecasting methodologies and models, including determining the length of the reasonable and supportable forecast period and selecting macroeconomic forecasting methodologies to comply with the new guidance, updating the design of our established governance, financial reporting, and internal control over financial reporting frameworks, and updating accounting policies and procedures. The status of our implementation was periodically presented to the Audit Committee and the Risk Committee. The Company completed multiple parallel model runs to test and refine its current expected credit loss models to satisfy the requirements of the new standard.

  The adoption of this standard resulted in the increase in the allowance for credit losses ("ACL") for loans of approximately $2 billion and a decrease to opening retained earnings, net of income taxes, at January 1, 2020. The estimated increase is based on forecasts of expected future economic conditions and is primarily driven by the fact that the allowance will cover expected credit losses over the full expected life of the loan portfolios. The standard did not have a material impact on the Company's other financial instruments.

- In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The ASU removes the requirement to disclose: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The ASU requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company adopted the new guidance effective January 1, 2020 and it did not have a material impact on the Company's business, financial position or results of operations.

In addition to those described in detail above, the Company evaluated the ASU 2018-17, *Consolidation (Topic 10): Targeted Improvements to Related Party Guidance for Variable Interest Entities,* and it did not have a material impact on the Company's business, financial position, results of operations or disclosures.

2. Finance Receivables

Held For Investment

Finance receivables held for investment, net is comprised of the following at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Retail installment contracts (a)	$27,719,221	$25,065,511
Purchased receivables — credit impaired	12,177	19,235
Receivables from dealers	12,536	14,557
Personal loans (b)	—	2,014
Finance lease receivables (Note 3)	23,085	16,137
Finance receivables held for investment, net	$27,767,019	$25,117,454

(a) The Company has elected the fair value option for certain retail installment contracts reported in finance receivables held for investment, net. As of December 31, 2019 and 2018, $22,353 and $13,509 of loans were recorded at fair value, respectively (Note 15).

(b) The remaining balance of personal loans, held for investment, was charged off during the quarter ended June 30, 2019.

The Company's held for investment portfolio of retail installment contracts, receivables from dealers, and personal loans is comprised of the following at December 31, 2019 and 2018:

	December 31, 2019		
	Retail Installment Contracts		Receivables from Dealers
	Non-TDR	TDR	
Unpaid principal balance	$26,895,551	$3,859,040	$12,668
Credit loss allowance — specific	—	(914,718)	—
Credit loss allowance — collective	(2,123,878)	—	(132)
Discount	(67,484)	(17,167)	—
Capitalized origination costs and fees	84,961	2,916	—
Net carrying balance	$24,789,150	$2,930,071	$12,536
Allowance as a percentage of unpaid principal balance	7.9%	23.7%	1.0%
Allowance and discount as a percentage of unpaid principal balance	8.1%	24.1%	1.0%

	December 31, 2018			
	Retail Installment Contracts		Receivables from Dealers	Personal Loans
	Non-TDR	TDR		
Unpaid principal balance	$23,054,157	$ 5,378,603	$14,710	$2,637
Credit loss allowance — specific	—	(1,416,743)	—	—
Credit loss allowance — collective	(1,819,360)	—	(153)	$ (761)
Discount	(172,659)	(40,333)	—	—
Capitalized origination costs and fees	77,398	4,448	—	138
Net carrying balance	$21,139,536	$ 3,925,975	$14,557	$2,014
Allowance as a percentage of unpaid principal balance	7.9%	26.3%	1.0%	28.9%
Allowance and discount as a percentage of unpaid principal balance	8.6%	27.1%	1.0%	28.9%

Retail installment contracts

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 lines or securitization bonds (Note 6). Most of the borrowers on the Company's retail installment contracts held for investment are retail consumers; however, $741,592 and $537,922 of the unpaid principal balance represented fleet contracts with commercial borrowers as of December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Company originated (including the SBNA originations program) $12,762,677 and $7,927,597, respectively, in CCAP loans which represented 56% and 46%, respectively, of the total retail installment contract originations (including the SBNA originations program).

As of December 31, 2019, borrowers on the Company's retail installment contracts held for investment are located in Texas (17%), Florida (11%), California (9%), Georgia (6%) and other states each individually representing less than 5% of the Company's total portfolio.

Purchased receivables

A. *Purchased receivables portfolios — credit impaired, accounted under ASC 310-30*

Purchased receivables portfolios — credit impaired, which were acquired with deteriorated credit quality, is comprised of the following at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Outstanding balance	$21,542	$30,631
Outstanding recorded investment, net of impairment	12,272	19,390

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

	For the Year Ended December 31,		
	2019	2018	2017
Balance — beginning of year	$18,145	$19,464	$107,041
Accretion of accretable yield	(4,007)	(8,569)	(30,129)
Disposals/transfers	—	—	(62,183)
Reclassifications from (to) nonaccretable difference (a)	11	7,250	4,735
Balance — end of year	$14,149	$18,145	$ 19,464

(a) Reclassifications from (to) nonaccretable difference represents the increases (decreases) in accretable yield resulting from higher (lower) estimated undiscounted cash flows.

B. *Purchased receivables portfolios, accounted under ASC 310-20 and/or Fair Value Option*

During the year ended December 31, 2019, 2018 and 2017, the company purchased financial receivables from third party lenders for $1.09 billion, $67,249 and zero, respectively. The unpaid principal balance of these loans as of the acquisition date was $1.12 billion, $74,086 and zero, respectively.

For the year ended 2019, the Company determined that majority of the acquired loans were non-credit impaired loans because they either did not have evidence of credit quality deterioration or it was not probable that the Company would not collect all contractually required payments, which was evaluated using a number of factors including the loan's delinquency status, borrower's credit status, and roll rates.

The company elected the fair value option for $22 million of purchased loans deemed to be credit-impaired since it was determined that not all contractually required payments would be collected. Refer to Note 15—*"Fair Value of Financial Instruments"* to these accompanying consolidated financial statements for additional details. Accordingly, the majority of these loans are accounted for in accordance with ASC 310-20. Under ASC 310-20, the difference between the loan's principal balance, at the time of purchase, and the fair value is recognized as an adjustment of yield over the life of the loan. All other policies related to interest income, calculation of allowance for loan losses, and recognizing TDRs would be similar to retail installment contracts and are originated by the Company.

During the years ended December 31, 2018 and 2017, 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.

In addition, during the years ended December 31, 2019, 2018 and 2017 the Company recognized certain retail installment contracts with an unpaid principal balance of $74,718, $213,973 and $290,613 respectively, held by non-consolidated securitization Trusts, under optional clean-up calls (Note 7). 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 the re-recognition date), for which it was probable that not all contractually required payments would be collected (Note 15).

Receivable from Dealers

The receivables from dealers held for investment are all Chrysler Agreement-related. As of December 31, 2019, borrowers on these dealer receivables are located in Virginia (70%) and New York (30%).

Held For Sale

The carrying value of the Company's finance receivables held for sale, net is comprised of the following at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Personal loans	$1,007,105	$1,068,757

Sales of retail installment contracts and proceeds from sales of charged-off assets for the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Sales of retail installment contracts to third parties	$ —	$ —	$ 260,568
Sales of retail installment contracts to affiliates	—	2,905,922	2,583,341
Proceeds from sales of charged-off assets to third parties	55,220	55,902	93,619

3. Leases (SC as Lessor)

The Company originates operating and finance leases, which are separately accounted for and recorded on the Company's consolidated balance sheets. Operating leases are reported as leased vehicles, net, while finance 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 December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Leased vehicles	$21,722,726	$18,737,338
Less: accumulated depreciation	(4,159,944)	(3,518,025)
Depreciated net capitalized cost	17,562,782	15,219,313
Manufacturer subvention payments, net of accretion	(1,177,342)	(1,307,424)
Origination fees and other costs	76,542	66,966
Net book value	$16,461,982	$13,978,855

The following summarizes the maturity analysis of lease payments due to the Company as lessor under operating leases as of December 31, 2019:

2020	$2,702,377
2021	1,700,849
2022	568,921
2023	52,910
Thereafter	—
Total	$5,025,057

Finance Leases

Certain leases originated by the Company are accounted for as direct financing leases, as the contractual residual values are nominal amounts. Finance lease receivables, net consisted of the following as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Gross investment in finance leases	$34,443	$23,809
Origination fees and other	241	152
Less: unearned income	(6,859)	(4,465)
Net investment in finance leases before allowance	27,825	19,496
Less: allowance for lease losses	(4,740)	(3,359)
Net investment in finance leases	$23,085	$16,137

The following summarizes the maturity analysis of lease payments due to the Company as lessor under finance leases as of December 31, 2019:

2020	$10,064
2021	9,059
2022	7,594
2023	5,269
Thereafter	2,457
Total	$34,443

4. Credit Loss Allowance and Credit Quality

Credit Loss Allowance

The Company estimates the allowance for credit losses on retail installment contracts (including loans acquired from third party lenders that are considered to have no credit deterioration at acquisition) 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 the recorded investment, and a probability of default assumption. 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. The Company uses a transition based Markov model for estimating the allowance for credit losses on retail installment contracts. This model utilizes the recently observed loan transition rates from various loan statuses, including delinquency and accounting statuses from performing to charge off, to forecast future losses.

For loans classified as TDRs, impairment is generally measured based on the present value of expected future cash flows discounted at the original effective interest rate. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell. The amount of the allowance is equal to the difference between the loan's impaired value and the recorded investment.

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 December 31, 2019 and 2018, the credit loss allowance for receivables from dealers is comprised entirely of general allowance as none of these receivables have been determined to be individually impaired.

The activity in the credit loss allowance for retail installment contracts and Dealer Loans for the years ended December 31, 2019 and 2018 was as follows:

	Year Ended December 31, 2019			
	Retail Installment Contracts		Receivables from Dealers	Personal Loans
	Non-TDR	TDR		
Balance — beginning of year	$ 1,819,360	$ 1,416,743	$153	$ 761
Provision for credit losses	1,774,000	317,305	(21)	1,096
Charge-offs (a)	(3,636,924)	(1,559,318)	—	(2,107)
Recoveries	2,167,442	739,988	—	250
Balance — end of year	$ 2,123,878	$ 914,718	$132	$ —

	Year Ended December 31, 2018			
	Retail Installment Contracts		Receivables from Dealers	Personal Loans
	Non-TDR	TDR		
Balance — beginning of year	$ 1,540,315	$ 1,804,132	$164	$ 2,565
Provision for credit losses	1,433,977	772,448	(11)	(188)
Charge-offs (a)	(2,850,361)	(2,029,325)	—	(2,546)
Recoveries	1,695,429	869,488	—	930
Balance — end of year	$ 1,819,360	$ 1,416,743	$153	$ 761

	Year Ended December 31, 2017			
	Retail Installment Contracts		Receivables from Dealers	Personal Loans
	Non-TDR	TDR		
Balance — beginning of year	$ 1,799,760	$ 1,611,295	$ 724	$ —
Provision for credit losses	877,771	1,475,861	(560)	10,691
Charge-offs (a)	(2,758,023)	(2,064,331)	—	(8,945)
Recoveries	1,620,807	781,307	—	819
Balance — end of year	$ 1,540,315	$ 1,804,132	$ 164	$ 2,565

(a) Charge-offs for retail installment contracts includes partial write-down of loans to the collateral value less estimated costs to sell, for which a bankruptcy notice was received. There is no additional credit loss allowance on these loans.

The Company estimates losses on the finance 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 finance leases for the years ended December 31, 2019, 2018 and 2017 was as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Balance — beginning of year	$ 3,359	$ 5,642	$ 9,988
Provision for lease losses	2,151	(641)	48
Charge-offs	(4,185)	(6,545)	(11,069)
Recoveries	3,416	4,903	6,675
Balance — end of year	$ 4,741	$ 3,359	$ 5,642

There was no impairment activity noted for purchased receivable portfolio—credit impaired for the years ended December 31, 2019, 2018 and 2017.

Delinquencies

Retail installment contracts and personal amortizing term loans are generally classified as non-performing (or nonaccrual) 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 (nonaccrual) status, previously accrued and uncollected interest is reversed against interest income. If an account is returned to a performing (accrual) status, the Company returns to accruing interest on the loan.

The Company considers an account delinquent when an obligor fails to pay substantially all (defined as 90%) of the scheduled payment by the due date. In each case, the period of delinquency is based on the number of days payments are contractually past due.

The accrual of interest on revolving personal loans continues until the loan is charged off. The unpaid principal balance on revolving personal loans 90 days past due and still accruing totaled $128,872 and $129,227 as of December 31, 2019 and 2018, respectively.

A summary of delinquencies as of December 31, 2019 and 2018 is as follows:

	December 31, 2019			
	Finance Receivables Held for Investment			
	Retail Installment Contract Loans	Purchased Receivables Portfolios - credit impaired	Total	Percent (b)
Principal, 30-59 days past due	$2,972,495	$1,930	$2,974,425	9.7%
Delinquent principal over 59 days (a)	1,578,452	1,596	1,580,048	5.1%
Total delinquent principal	$4,550,947	$3,526	$4,554,473	14.8%

	December 31, 2018			
	Finance Receivables Held for Investment			
	Retail Installment Contract Loans	Purchased Receivables Portfolios - credit impaired	Total	Percent (b)
Principal, 30-59 days past due	$3,118,869	$2,926	$3,121,795	11.0%
Delinquent principal over 59 days (a)	1,712,243	1,532	1,713,775	6.0%
Total delinquent principal	$4,831,112	$4,458	$4,835,570	17.0%

(a) Interest is generally accrued until 60 days past due in accordance with the Company's accounting policy for retail installment contracts.

(b) Percent of unpaid principal balance of total retail installment contracts held for investment.

Within the total delinquent principle above, retail installment contracts held for investment that were placed on nonaccrual status, as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Amount	Percent (a)	Amount	Percent (a)
Non-TDR	$1,099,462	3.6%	$ 834,921	2.9%
TDR	516,119	1.7%	733,218	2.6%
Total nonaccrual principal	$1,615,581	5.3%	$1,568,139	5.5%

(a) Percent of unpaid principal balance of total retail installment contracts individually held for investment.

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

As of December 31, 2019 and 2018, there were no receivables from dealers that were 30 days or more delinquent. As of December 31, 2019 and 2018, there were zero retail installment contracts held for sale that were 30 days or more delinquent.

Credit Quality Indicators

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 December 31, 2019 and 2018 was as follows:

FICO® Band	December 31, 2019 (b)	December 31, 2018 (b)
Commercial (a)	2.4%	1.9%
No-FICO®s	10.0%	11.0%
<540	16.9%	19.8%
540-599	31.9%	32.9%
600-639	19.0%	18.2%
>640	19.8%	16.2%

(a) No FICO® score is obtained on loans to commercial borrowers.
(b) Percentages are based on unpaid principal balance.

Commercial Lending — The Company's risk department performs a credit analysis and classifies certain loans over an internal threshold based on the commercial lending 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 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 uncollectable 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.

All the receivables from dealers, as of December 31, 2019 and December 31, 2018 were classified as "Pass."

Troubled Debt Restructurings

In certain circumstances, the Company modifies the terms of its finance receivables to troubled borrowers. Modifications may include a temporary reduction in monthly payment, 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 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—credit

impaired, operating and finance leases, and loans held for sale, including personal loans, are excluded from the scope of the applicable guidance. The Company's TDR balance as of December 31, 2019 and 2018 primarily consisted of loans that had been deferred or modified to receive a temporary reduction in monthly payment. As of December 31, 2019 and 2018, 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 generally 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. For loans that are considered collateral-dependent, such as certain bankruptcy modifications, impairment is measured based on the fair value of the collateral, less its estimated cost to sell.

A loan that has been classified as a TDR remains so until the loan is liquidated through payoff or charge-off. For loans on nonaccrual status, interest income is recognized on a cash basis, and the accrual of interest is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. The recognition of interest income on TDR loans reflects management's best estimate of the amount that is reasonably assured of collection and is consistent with the estimate of future cash flows used in the impairment measurement. Any accrued but unpaid interest is fully reserved for through the recognition of additional impairment on the recorded investment, if not expected to be collected.

The table below presents the Company's TDRs as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	Retail Installment Contracts	
Outstanding recorded investment (a)	$3,828,892	$ 5,365,477
Impairment	(914,718)	(1,416,743)
Outstanding recorded investment, net of impairment	$2,914,174	$ 3,948,734

(a) As of December 31, 2019, the outstanding recorded investment excludes $94.9 million of collateral-dependent bankruptcy TDRs that have been written down by $36.4 million to fair value less cost to sell. As of December 31, 2018, the outstanding recorded investment excludes $90.1 million of collateral-dependent bankruptcy TDRs that have been written down by $36.4 million to fair value less cost to sell.

A summary of the Company's delinquent TDRs at December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
	Retail Installment Contracts (a)	
Principal, 30-59 days past due	$ 927,952	$1,265,946
Delinquent principal over 59 days	521,709	810,589
Total delinquent TDR principal	$1,449,661	$2,076,535

(a) The balances in the above table reflect total unpaid principal balance rather than net recorded investment before allowance.

Average recorded investment and interest income recognized on TDR loans are as follows:

	For the Year Ended December 31,		
	2019	2018	2017
	Retail Installment Contracts		
Average outstanding recorded investment in TDRs	$4,609,775	$5,970,789	$6,069,442
Interest income recognized	795,780	1,035,783	1,037,159

The following table summarizes the financial effects, excluding impacts related to credit loss allowance and impairment, of TDRs (including collateral-dependent bankruptcy TDRs) that occurred for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
	Retail Installment Contracts		
Outstanding recorded investment before TDR	$1,276,326	$2,226,775	$3,547,456
Outstanding recorded investment after TDR	1,280,025	2,236,262	3,541,968
Number of contracts (not in thousands)	74,545	132,633	204,775

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 personal loans is generally the month in which the receivable becomes 180 days past due. Loan restructurings accounted for as TDRs within the previous twelve months that subsequently defaulted for the years ended December 31, 2019, 2018 and 2017 are summarized in the following table:

	For the Year Ended December 31,		
	2019	2018	2017
	Retail Installment Contracts		
Recorded investment in TDRs that subsequently defaulted (a)	$376,151	$682,348	$820,765
Number of contracts (not in thousands)	22,694	40,149	46,600

(a) For TDR modifications and TDR modifications that subsequently default, the allowance methodology remains unchanged; however, the transition rates of the TDR loans are adjusted to reflect the respective risks.

5. Goodwill and Intangibles

The Company has identified one operating segment which is also the reporting unit, Consumer Finance. Management tests goodwill for impairment annually and in interim, if an event or circumstance occurs that would "more likely than not" reduce the fair value of the reporting unit to an amount below its carrying value. The Company determines if impairment exists by estimating the fair value of the Consumer Finance reporting unit using the market capitalization method at the measurement date and comparing it to the carrying value. If the fair value is greater than the carrying value, then no goodwill impairment has occurred. The Company completed its test of goodwill for impairment as of October 1, 2019 and concluded that goodwill was not impaired. The carrying amount of goodwill for the years ended December 31, 2019 and 2018, was unchanged at $74,056. For each of the years ended December 31, 2019, 2018 and 2017, goodwill amortization of $5,463, was deductible for tax purposes.

The components of intangible assets at December 31, 2019 and 2018 were as follows:

	December 31, 2019			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:				
Customer relationships	10 years	$12,400	$(12,400)	$ —
Software and technology	3 — 7 years	62,690	(33,418)	29,272
Trademarks	3 — 15 years	20,347	(6,847)	13,500
Total		$95,437	$(52,665)	$42,772

	December 31, 2018			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:				
Customer relationships	10 years	$12,400	$(12,400)	$ —
Software and technology	3 — 7 years	47,772	(27,277)	20,495
Trademarks	3 — 15 years	20,347	(5,647)	14,700
Total		$80,519	$(45,324)	$35,195

The Company recognized impairment on intangible assets of zero during the years ended December 31, 2019, 2018 and 2017. Amortization expense on the assets was $7,950, $9,122, and $9,240 for the years ended December 31, 2019, 2018 and 2017, respectively. Estimated future amortization expense is as follows:

2020	$12,895
2021	10,962
2022	9,015
2023	1,200
2024 and thereafter	8,700
Total	$42,772

The weighted average remaining useful life for the Company's amortizing intangible assets was 5.4 years, 6.6 years, and 8.1 years at December 31, 2019, 2018 and 2017, respectively.

6. Debt

Total borrowings and other debt obligations as of December 31, 2019 and 2018 consists of:

	2019	2018
Notes Payable — Facilities with Third Parties	$ 5,399,931	$ 4,478,214
Notes Payable — Facilities with Santander and Related Subsidiaries (a)	5,652,325	3,503,293
Notes Payable — Secured Structured Financings	28,141,885	26,901,530
	$39,194,141	$34,883,037

Notes Payable — Credit Facilities

The following table presents information regarding the Company's credit facilities as of December 31, 2019 and December 31, 2018:

	December 31, 2019					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Facilities with third parties:						
Warehouse line	June 2021	$ 471,284	$ 500,000	3.32%	$ 675,426	$ —
Warehouse line	March 2021	516,045	1,250,000	3.10%	734,640	1
Warehouse line (b)	October 2021	1,098,443	5,000,000	4.43%	1,898,365	1,756
Warehouse line	July 2021	500,000	500,000	3.64%	761,690	302
Warehouse line	October 2021	896,077	2,100,000	3.44%	1,748,325	7
Repurchase facility (c)	January 2020	273,655	273,655	3.80%	377,550	—
Repurchase facility (c)	March 2020	100,756	100,756	3.04%	151,710	—
Repurchase facility (c)	March 2020	47,851	47,851	3.15%	69,945	—
Warehouse line	November 2020	970,600	1,000,000	2.57%	1,353,305	—
Warehouse line	November 2020	471,320	500,000	2.69%	505,502	186
Warehouse line	June 2021	53,900	600,000	7.02%	62,601	94
Total facilities with third parties		5,399,931	11,872,262		8,339,059	2,346
Facilities with Santander and related subsidiaries:						
Promissory Note	December 2021	250,000	250,000	3.70%	—	—
Promissory Note	December 2022	250,000	250,000	3.95%	—	—
Promissory Note	December 2023	250,000	250,000	5.25%	—	—
Promissory Note	December 2022	250,000	250,000	5.00%	—	—
Promissory Note	March 2021	300,000	300,000	3.95%	—	—
Promissory Note	October 2020	400,000	400,000	3.10%	—	—
Promissory Note	November 2022	400,000	400,000	3.00%	—	—
Promissory Note	May 2020	500,000	500,000	3.49%	—	—
Promissory Note	June 2022	500,000	500,000	3.30%	—	—
Promissory Note	July 2024	500,000	500,000	3.90%	—	—
Promissory Note (a)	March 2022	650,000	650,000	4.20%	—	—
Promissory Note	August 2021	650,000	650,000	3.44%	—	—
Promissory Note	September 2023	750,000	750,000	3.27%	—	—
Line of credit	July 2021	—	500,000	3.86%	—	—
Line of credit	March 2022	—	3,000,000	4.96%	—	—
Total facilities with Santander and related subsidiaries		5,650,000	9,150,000		—	—
Total revolving credit facilities		$11,049,931	$21,022,262		$8,339,059	$2,346

(a) In 2017, the Company entered into an interest rate swap to hedge the interest rate risk on this fixed rate debt. This derivative was designated as fair value hedge at inception. This derivative was later terminated and the unamortized fair value hedge adjustment as of December 31, 2019 and 2018 was $2.3 million and $3.2 million, respectively, the amortization of which will reduce interest expense over the remaining life of the fixed rate debt.

(b) This line is held exclusively for financing of Chrysler Finance leases.

(c) The repurchase facilities are collateralized by securitization notes payable retained by the Company. As the borrower, we are exposed to liquidity risk due to changes in the market value of the retained securities pledged. In some instances, we place or receive cash collateral with counterparties under collateral arrangements associated with our repurchase agreements. The maturity date for the repurchase facility trade that expires in January 2020 was extended to April 2020.

	December 31, 2018					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Facilities with third parties:						
Warehouse line	August 2019	$ 53,584	$ 500,000	8.34%	$ 78,790	$ —
Warehouse line	Various	314,845	1,250,000	4.83%	458,390	—
Warehouse line	August 2020	2,154,243	4,400,000	3.79%	2,859,113	4,831
Warehouse line	October 2020	242,377	2,050,000	5.94%	345,599	120
Repurchase facility	April 2019	167,118	167,118	3.84%	235,540	—
Repurchase facility	March 2019	131,827	131,827	3.54%	166,308	—
Warehouse line	November 2020	1,000,000	1,000,000	3.32%	1,430,524	6
Warehouse line	November 2020	317,020	500,000	3.53%	359,214	525
Warehouse line	October 2019	97,200	350,000	4.35%	108,418	328
Total facilities with third parties		4,478,214	10,348,945		6,041,896	5,810
Facilities with Santander and related subsidiaries:						
Promissory Note	December 2022	250,000	250,000	3.95%	—	—
Promissory Note	December 2021	250,000	250,000	3.70%	—	—
Promissory Note	December 2023	250,000	250,000	5.25%	—	—
Promissory Note	December 2022	250,000	250,000	5.00%	—	—
Promissory Note	March 2019	300,000	300,000	4.09%	—	—
Promissory Note	October 2020	400,000	400,000	3.10%	—	—
Promissory Note	May 2020	500,000	500,000	3.49%	—	—
Promissory Note	March 2022	650,000	650,000	4.20%	—	—
Promissory Note	August 2021	650,000	650,000	3.38%	—	—
Line of credit	July 2021	—	500,000	4.34%	—	—
Line of credit	March 2019	—	3,000,000	4.97%	—	—
Total facilities with Santander and related subsidiaries		3,500,000	7,000,000		—	—
Total revolving credit facilities		$7,978,214	$17,348,945		$6,041,896	$5,810

Notes Payable — Facilities with Third Parties

The warehouse lines and repurchase facilities 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.

Facilities with Santander and Related Subsidiaries

Lines of Credit

SHUSA provides the Company with $3,500,000 of committed revolving credit that can be drawn on an unsecured basis.

Promissory Notes

SHUSA provides the Company with $5,650,000 of unsecured promissory notes.

Notes Payable — Secured Structured Financings

The following table presents information regarding secured structured financings as of December 31, 2019 and 2018:

	December 31, 2019					
	Estimated Maturity Date(s) at Issuance	Balance	Initial Note Amounts Issued (d)	Initial Weighted Average Interest Rate	Collateral (b)	Restricted Cash
2015 Securitizations	August 2021 — January 2023	$ 334,916	$ 3,258,300	1.67% — 2.29%	$ 411,310	$ 94,382
2016 Securitizations	April 2022 — March 2024	1,144,421	7,462,790	1.63% — 2.80%	1,560,133	248,784
2017 Securitizations	July 2022 — September 2024	2,364,177	9,296,570	1.35% — 2.52%	3,423,303	292,601
2018 Securitizations	May 2022 — April 2026	5,376,231	12,039,840	2.41% — 3.42%	7,240,151	466,069
2019 Securitizations	May 2024 — February 2027	9,588,028	11,924,720	2.08% — 3.34%	12,062,261	504,810
Public Securitizations (a)		18,807,773	43,982,220		24,697,158	1,606,646
2013 Private issuances	July 2024 — September 2024	2,252,616	1,537,025	1.28%	2,143,065	303
2015 Private issuances	July 2019 (e)	19,029	500,000	1.05%	67,007	113
2016 Private issuances	September 2024	30,943	300,000	2.35%	90,352	—
2018 Private issuance	June 2022 — April 2024	3,742,509	4,536,002	2.42% — 3.53%	5,292,020	10,114
2019 Private issuance	September 2022 — November 2026	3,289,015	3,524,536	2.45% — 3.90%	4,455,773	10,348
Privately issued amortizing notes (c)		9,334,112	10,397,563		12,048,217	20,878
Total secured structured financings		$28,141,885	$54,379,783		$36,745,375	$1,627,524

(a) Securitizations executed under Rule 144A of the Securities Act are included within this balance.
(b) Secured structured financings may be collateralized by the Company's collateral overages of other issuances.
(c) All privately issued amortizing notes issued in 2014 and 2017 were paid in full.
(d) Excludes securitizations which no longer have outstanding debt and excludes any incremental borrowings.

(e) The maturity of this securitization was extended to June 2021.

	December 31, 2018					
	Estimated Maturity Date(s) at Issuance	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2014 Securitizations	January 2022 — April 2022	$ 246,989	$ 2,291,020	1.16% — 1.27%	$ 334,888	$ 65,028
2015 Securitizations	April 2021 — January 2023	1,651,411	9,054,732	1.33% — 2.29%	1,979,942	288,654
2016 Securitizations	April 2022 — March 2024	2,233,720	7,462,790	1.63% — 2.80%	2,876,141	285,300
2017 Securitizations	July 2022 — September 2024	4,385,029	9,296,570	1.35% — 2.52%	6,090,150	352,833
2018 Securitizations	May 2022 — April 2026	10,708,030	13,275,840	2.41% — 3.53%	13,631,783	549,899
Public Securitizations		19,225,179	41,380,952		24,912,904	1,541,714
2013 Private issuance	November 2020 — September 2024	1,507,241	2,044,054	1.28% — 1.38%	2,896,344	3,021
2015 Private issuances	June 2019 — September 2021	1,043,723	1,811,312	0.88% — 2.80%	350,212	2,215
2016 Private issuances	August 2020 — September 2024	454,280	2,550,000	1.93% — 2.86%	901,641	1,661
2017 Private issuances	April 2021 — September 2021	689,152	1,600,000	1.85% — 2.44%	1,037,263	5,716
2018 Private issuances	June 2022 — April 2024	3,981,955	3,300,002	2.42% — 3.17%	5,197,806	22,588
Privately issued amortizing notes		7,676,351	11,305,368		10,383,266	35,201
Total secured structured financings		$26,901,530	$52,686,320		$35,296,170	$1,576,915

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 retail installment contracts, which back the notes. The final contractual maturity and weighted average interest rate (net of interest income earned on retained bonds) by year on these notes at December 31, 2019, were as follows:

	Balance
2020, 2.12%	$ 203,114
2021, 2.91%	637,391
2022, 2.73%	9,743,844
2023, 2.94%	6,379,977
2024, 3.51%	5,081,845
Thereafter, 3.01%	6,160,727
	28,206,898
Less: unamortized costs	(65,013)
Notes payable — secured structured financings	$28,141,885

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 December 31, 2019 and 2018, the Company had private issuances of notes backed by vehicle leases totaling $10,243,158 and $7,847,071, 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. Amortized debt issuance costs were $40,381, $38,063, and $34,510 for the years ended December 31, 2019, 2018 and 2017, respectively. 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 notes payable is also included in interest expense using the effective interest method over the estimated remaining life of the notes. Total interest expense on secured structured financings for the years ended December 31, 2019, 2018 and 2017 was $882,595, $735,342 and $554,663, respectively.

7. Variable Interest Entities

The Company transfers retail installment contracts and vehicle leases 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. The Trusts are considered VIEs under GAAP and the Company may or may not consolidate these VIEs on the consolidated balance sheets.

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, fee income, and provision for credit losses on the retail installment contracts, and leased vehicles and interest expense on the debt. Revolving credit facilities generally also utilize entities that are considered VIEs which are included on the consolidated balance sheets.

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 rights 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 December 31, 2019 and 2018, the Company was servicing $27,253,573 and $27,193,924, 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 years ended December 31, 2019, 2018 and 2017, is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Assets securitized	$22,286,033	$26,650,284	$18,442,793
Net proceeds from new securitizations (a)	$17,199,821	$17,338,880	$14,126,211
Net proceeds from retained bonds	251,602	1,059,694	499,354
Cash received for servicing fees (b)	990,612	887,988	866,210
Net distributions from Trusts (b)	3,615,461	2,767,509	2,613,032
Total cash received from Trusts	$22,057,496	$22,054,071	$18,104,807

(a) Includes additional advances on existing securitizations.
(b) These amounts are not reflected in the accompanying consolidated statements of cash flows because these cash flows are intra-company and eliminated in consolidation.

Off-balance sheet variable interest entities

There were no sales during the year ended December 31, 2019. During the years ended December 31, 2018 and 2017, the Company sold $2,905,922 and $2,583,341, respectively, of gross retail installment contracts to Santander in off-balance sheet securitizations for a loss (excluding lower of cost or market adjustments, if any) of $20,736 and $13,026, respectively. The losses were recorded in investment losses, net, in the accompanying consolidated statements of income.

As of December 31, 2019 and 2018, the Company was servicing $2,408,205 and $4,072,843, respectively, of gross retail installment contracts that have been sold in off-balance sheet securitizations and were subject to an optional clean-up call. The portfolio was comprised as follows:

	For the Year Ended December 31,	
	2019	2018
Related party SPAIN serviced securitizations	$2,149,008	$3,461,793
Third party CCAP serviced securitizations	259,197	611,050
Total serviced for others portfolio	$2,408,205	$4,072,843

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 for the years ended December 31, 2019, 2018 and 2017, is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Receivables securitized (a)	$ —	$2,905,922	$2,583,341
Net proceeds from new securitizations	$ —	$2,909,794	$2,588,227
Cash received for servicing fees	34,068	43,859	35,682
Total cash received from securitization trusts	$34,068	$2,953,653	$2,623,909

(a) Represents the unpaid principal balance at the time of original securitization.

8. 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 interest rate swaps to counteract the variability of cash flows on securities issued by securitization Trusts and borrowings under the Company's Warehouse facilities. The Company uses interest rate caps to satisfy the lending requirements to hedge its interest rate risk on secured structured financings. 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) and amounts are reclassified from AOCI to earnings as the forecasted transactions impact earnings.

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

The underlying notional amounts and aggregate fair values of these derivative financial instruments at December 31, 2019 and 2018, are as follows:

	December 31, 2019			
	Notional	Fair Value	Asset	Liability
Interest rate swap agreements designated as cash flow hedges	$2,650,000	$(36,321)	$ 2,807	$(39,128)
Interest rate swap agreements not designated as hedges	1,281,000	(10,267)	—	(10,267)
Interest rate cap agreements	9,379,720	62,552	62,552	—
Options for interest rate cap agreements	9,379,720	(62,552)	—	(62,552)

	December 31, 2018			
	Notional	Fair Value	Asset	Liability
Interest rate swap agreements designated as cash flow hedges	$3,933,500	$ 36,489	$ 43,967	$ (7,478)
Interest rate swap agreements not designated as hedges	2,270,200	9,423	11,553	(2,130)
Interest rate cap agreements	7,741,765	128,377	128,377	—
Options for interest rate cap agreements	7,741,765	(128,377)	—	(128,377)

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. See Note 15 — "*Fair Value of Financial Instruments*" in the accompanying financial statements for additional disclosure of fair value and balance sheet location of the Company's derivative financial instruments.

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

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 December 31, 2019 and 2018:

	Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Assets Presented in the Consolidated Balance Sheet	Collateral Received (a)	Net Amount
December 31, 2019			
Interest rate swaps — third party (b)	$ 2,807	$ (540)	$ 2,267
Interest rate caps — Santander and affiliates	25,330	(14,930)	10,400
Interest rate caps — third party	37,222	(26,199)	11,023
Total derivatives subject to a master netting arrangement or similar arrangement	65,359	(41,669)	23,690
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—
Total derivative assets	$ 65,359	$(41,669)	$23,690
Total financial assets	$ 65,359	$(41,669)	$23,690
December 31, 2018			
Interest rate swaps — third party (b)	$ 55,520	$(23,929)	$31,591
Interest rate caps — third party	128,377	(72,830)	55,547
Total derivatives subject to a master netting arrangement or similar arrangement	183,897	(96,759)	87,138
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—
Total derivative assets	$183,897	$(96,759)	$87,138
Total financial assets	$183,897	$(96,759)	$87,138

(a) Collateral received includes cash, cash equivalents, and other financial instruments. Cash collateral received is reported in Other liabilities in the consolidated balance sheet. Financial instruments that are pledged to the Company are not reflected in the accompanying consolidated balance sheet since the Company does not control or have the ability of rehypothecation of these instruments.

(b) Includes derivative instruments originally transacted with Santander and affiliates and subsequently amended to reflect clearing with central clearing counterparties.

	Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Liabilities Presented in the Consolidated Balance Sheet	Collateral Pledged (a)	Net Amount
December 31, 2019			
Interest rate swaps — third party (b)	$ 49,395	$ (49,395)	$—
Interest rate caps — Santander and affiliates	25,330	(25,330)	—
Interest rate caps — third party	37,222	(37,222)	—
Total derivatives subject to a master netting arrangement or similar arrangement	111,947	(111,947)	—
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—
Total derivative liabilities	$111,947	$(111,947)	$—
Total financial liabilities	$111,947	$(111,947)	$—

	Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Liabilities Presented in the Consolidated Balance Sheet	Collateral Pledged (a)	Net Amount
December 31, 2018			
Interest rate swaps — third party	$ 9,608	$ (9,608)	$—
Interest rate caps — third party	128,377	(128,377)	—
Total derivatives subject to a master netting arrangement or similar arrangement	137,985	(137,985)	—
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—
Total derivative liabilities	$137,985	$(137,985)	$—
Total financial liabilities	$137,985	$(137,985)	$—

(a) Collateral pledged includes cash, cash equivalents, and other financial instruments. These balances are reported in Other assets in the consolidated balance sheet. In certain instances, the Company is over-collateralized since the actual amount of collateral pledged exceeds the associated financial liability. As a result, the actual amount of collateral pledged that is reported in Other assets may be greater than the amount shown in the table above.

(b) Includes derivative instruments originally transacted with Santander and affiliates and subsequently amended to reflect clearing with central clearing counterparties.

The gross gains (losses) reclassified from accumulated other comprehensive income (loss) to net income, are included as components of interest expense. The impacts on the consolidated statements of income and comprehensive income for the years ended December 31, 2019, 2018 and 2017 were as follows:

	December 31, 2019		
	Recognized in Earnings	Gross Gains (Loss) Recognized in Accumulated Other Comprehensive Income (Loss)	Gross amount Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$ —	$(43,473)	$37,079
Derivative instruments not designated as hedges Losses (Gains) recognized in interest expenses	$13,867		

	December 31, 2018		
	Recognized in Earnings	Gross Gains Recognized in Accumulated Other Comprehensive Income (Loss)	Gross amount Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$ —	$20,537	$37,710
Derivative instruments not designated as hedges Losses (Gains) recognized in interest expenses	$(5,369)		

	December 31, 2017		
	Recognized in Earnings	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss)	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$ 112	$22,333	$6,060
Derivative instruments not designated as hedges Losses (Gains) recognized in interest expenses	$6,835		

The Company estimates that approximately $6,456 of unrealized losses included in accumulated other comprehensive income (loss) will be reclassified to interest expense within the next twelve months.

9. Other Assets

Other assets were comprised as follows:

	December 31, 2019	December 31, 2018
Vehicles (a)	$ 341,465	$ 342,097
Manufacturer subvention payments receivable (b)	74,738	106,313
Upfront fee (b)	98,980	65,000
Derivative assets (third party) at fair value (c)	40,029	183,897
Derivative — collateral	147,914	150,783
Operating leases (Right-of-use-assets) (d)	57,508	—
Available-for-sale debt securities	92,246	—
Prepaids	45,644	29,080
Accounts receivable	31,524	28,511
Federal and State tax receivable	82,944	97,087
Other	27,187	57,666
Other assets	$1,040,179	$1,060,434

(a) Includes vehicles recovered through repossession as well as vehicles recovered due to lease terminations.

(b) These amounts relate to the Chrysler Agreement. The Company paid a $150,000 upfront fee upon the May 2013 inception of the Chrysler Agreement. The fee is being amortized into finance and other interest income over a ten-year term. In addition, in June 2019, in connection with the execution of the sixth amendment to the Chrysler Agreement, the Company paid $60,000 upfront fee to FCA. This fee is being amortized into finance and other interest income over the remaining term of the Chrysler Agreement.

(c) Derivative assets at fair value represent the gross amount of derivatives presented in the consolidated financial statements. Refer to Note 8 — *"Derivative Financial Instruments"* to these Consolidated Financial Statements for the detail of these amounts.

(d) Refer to Note 1 — "*Description of Business*" to these consolidated financial statements for details regarding ASU 2016-02, *Leases*.

Operating Leases (SC as Lessee)

The Company has entered into various operating leases, primarily for office space. Operating leases are included within other assets as operating lease ROU assets and other liabilities within our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Most of our real estate leases include one or more options to renew, with renewal terms that can extend the lease term from one year to 15 years or more. The exercise of lease renewal options is at our sole discretion. The Company does not include any of the renewal options in the lease term as it is not reasonably certain that these options will be exercised.

Supplemental information relating to these operating leases is as follows:

	December 31, 2019
Operating leases-right of use assets	$ 57,508
Other liabilities	78,938
Weighted average lease term	6.2 years
Weighted average discount rate	3.4%

Lease expense incurred totaled $13,837, $10,192 and $10,901 for the year ended December 31, 2019, 2018 and 2017, respectively, and is included within "other operating costs" in the income statement. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Cash paid for amounts included in the measurement of operating lease liabilities was $16,788 during the year ended December 31, 2019.

The maturity of lease liabilities at December 31, 2019 are as follows:

2020	$16,715
2021	13,201
2022	12,555
2023	12,678
2024	12,701
Thereafter	19,691
Total	$87,541
Less: Interest	(8,603)
Present value of lease liabilities	$78,938

The remaining obligations under lease commitments required under operating leases as of December 31, 2018, prior to the date of adoption and as defined by the previous lease accounting guidance, with noncancellable lease terms at December 31, 2018 were as follows:

2019	$12,817
2020	13,080
2021	12,940
2022	12,282
2023	12,393
Thereafter	32,270
Total	$95,782

Available-for-sale debt securities

Debt securities expected to be held for an indefinite period of time are classified as available-for-sale ("AFS") and are carried at fair value, with temporary unrealized gains and losses reported as a component of accumulated other comprehensive income within stockholder's equity, net of estimated income taxes. All of these securities are used to satisfy collateral requirements for our derivative financial instruments.

Realized gains and losses on sales of investment securities are recognized on the trade date and are determined using specific identification method and is included in earnings within Investment gain (losses) on sale of securities.

Unamortized premiums and discounts are recognized in interest income over the estimated life of the security using the interest method.

The following tables present the amortized cost, gross unrealized gains and losses and approximate fair values of debt securities AFS as of December 31, 2019:

	December 31, 2019			
	Amortized cost (before unrealized gains / losses)	Gross Unrealized gain	Gross Unrealized loss	Fair value
Available-for-sale debt securities (US Treasury securities)	$91,238	$1,007	$—	$92,246

Contractual Maturities

The contractual maturities of available-for-sale debt instruments are summarized in the following table.

	Amortized cost	Fair value
Due within one year	$ —	$ —
Due after one year but within 5 years	91,238	92,246
Total	$91,238	$92,246

The Company did not record any other-than-temporary impairment related to its AFS securities for the year ended December 31, 2019.

10. Income Taxes

The components of the provision for income taxes for the years ended December 31, 2019, 2018 and 2017, were as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Income before income taxes:			
Domestic	$1,352,944	$1,189,612	$ 697,991
Foreign	1,324	2,656	106,018
Total	$1,354,268	$1,192,268	$ 804,009
Current income tax expense (benefit):			
Federal	$ 12,721	$ (9,702)	$ (6,140)
State	23,006	18,448	(6,436)
Foreign	5	110	4,273
Total current income tax expense (benefit)	$ 35,732	$ 8,856	$ (8,303)
Deferred income tax expense (benefit):			
Federal	265,021	217,309	(390,637)
State	59,138	50,180	30,181
Foreign	7	(3)	(39)
Total deferred income tax expense (benefit)	324,166	267,486	(360,495)
Total income tax expense (benefit)	$ 359,898	$ 276,342	$(368,798)

In December 2015, the Company formed a wholly-owned foreign subsidiary that is licensed in Puerto Rico as an International Financial Entity (IFE) under the Government approved Act Number 273. This classification resulted in the granting of a tax decree securing a 4% fixed income tax rate and a number of non-income tax benefits for an initial period of fifteen years. In March 2019, the Puerto Rico subsidiary was granted a tax decree pursuant to Act 20-2012 (the "Export Services Act"), effective as of January 1, 2019. This grant secures a 4% fixed income tax rate and a number of non-income tax benefits for an initial period of twenty years. Additionally, the grant under the Export Services Act cancels the grant under the IFE Act effective after December 31, 2018. As of December 31, 2019 and 2018, the Company has no earnings which are considered indefinitely reinvested.

The reconciliation of the federal statutory income tax rate to the Company's effective income tax rates for the years ended December 31, 2019, 2018 and 2017, is as follows:

	For the Year Ended December 31,		
	2019	**2018**	**2017**
Federal statutory rate	21.0%	21.0%	35.0%
State and local income taxes — net of federal income tax benefit	4.7	4.6	2.3
Valuation allowance	0.1	0.3	—
Electric vehicle credit	(0.3)	(0.8)	(3.0)
Tax reform — deferred impact	—	—	(83.9)
Tax reform — transition tax	—	—	3.1
Other	1.1	(1.9)	0.6
Effective income tax rate	26.6%	23.2%	(45.9)%

On December 22, 2017, H.R.1, known as the "Tax Cuts and Jobs Act," was signed into law. The Tax Cuts and Jobs Act permanently lowered the corporate tax rate from the previous rate of 35% to 21%, effective for tax years beginning January 1, 2018. As a result of the reduction of the corporate tax rate, GAAP requires companies to revalue their deferred tax assets and liabilities with resulting tax effects accounted for in the reporting period of enactment. The Company recorded a one-time $674,886 benefit primarily due to the revaluation of its U.S. deferred tax liabilities at the lower 21% U.S. federal corporate income tax rate. The Tax Cuts and Jobs Act also created a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. The Company recorded a $25,143 expense related to its Puerto Rican subsidiary, SCI. The Company's accounting for the effects of the change in tax law is complete.

The Tax Cuts and Jobs Act also requires a U.S. shareholder of a controlled foreign corporation (CFC) to include in income, as a deemed dividend, the global intangible low-taxed income (GILTI) of the CFC. This provision is effective for taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end. The Company has elected to treat taxes due on future U.S. inclusions in taxable income under the GILTI provision as a current period expense when incurred.

During the year ended December 31, 2018, the Company adopted ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This standard requires entities to reclassify from accumulated other comprehensive income to retained earnings stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act. The company reclassified $6,149 related to stranded tax effects for the year ended December 31, 2018.

The Company is a party to a tax sharing agreement requiring that the unitary state tax liability among affiliates included in unitary state tax returns be allocated using the hypothetical separate company tax calculation method. Under the hypothetical separate company method, SC recorded a net impact of deemed affiliate activity in the amount of $(14,381), which is included in additional paid-in capital section in the accompanying consolidated balance sheets. At December 31, 2019 and 2018, the Company had a net

receivable from affiliates under the tax sharing agreement of $11,010 and $734, respectively, which was included in related party taxes receivable in the consolidated balance sheet.

The tax effects of temporary differences between the financial reporting and income tax basis of assets and liabilities at December 31, 2019 and 2018, are as follows:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Debt issuance costs	$ 6,177	$ 5,454
Receivables	169,224	296,145
Derivatives	5,403	—
Capitalized origination costs	12,142	196
Net operating loss carryforwards	1,889,557	1,468,374
Equity-based compensation	17,334	14,727
Credit carryforwards	183,221	177,526
Other	53,466	31,392
Total gross deferred tax assets	2,336,524	1,993,814
Deferred tax liabilities:		
Capitalized origination costs	—	—
Goodwill	(14,072)	(12,735)
Leased vehicles	(3,752,794)	(3,109,118)
Furniture and equipment	(14,192)	(5,702)
Derivatives	—	(13,357)
Other	(15,103)	(1,275)
Total gross deferred tax liabilities	(3,796,161)	(3,142,187)
Valuation allowance	(8,585)	(7,510)
Net deferred tax asset (liability)	$(1,468,222)	$(1,155,883)

At December 31, 2019 and 2018, the Company's largest deferred tax liability was leased vehicles of $3,752,794 and $3,109,118, respectively. The increase in this liability is primarily due to accelerated depreciation for tax purposes.

The Company had a like-kind exchange program for the leased auto portfolio through December 31, 2017. Pursuant to the program, the Company disposed of vehicles and acquired replacement vehicles in a form whereby tax gains on disposal of eligible vehicles were deferred. To qualify for like-kind exchange treatment, the Company exchanged through a qualified intermediary eligible vehicles being disposed of with vehicles being acquired, allowing the Company to generally carryover the tax basis of the vehicles sold ("like-kind exchanges"). The program resulted in a material deferral of federal and state income taxes, and a decrease in cash taxes in periods when the Company was not in a net operating loss (NOL) position. As part of the program, the proceeds from the sale of eligible vehicles were restricted for the acquisition of replacement vehicles and other specified applications. The Tax Cuts and Jobs Act permanently eliminated the ability to exchange personal property after January 1, 2018, which resulted in the like-kind exchange program being discontinued in 2018.

The Company began generating qualified plug-in electric vehicle credits in 2013; the credit carryforwards of $176,480 will begin expiring in 2034. The Company has foreign tax credit carryforwards of $6,664, which will expire in varying amounts through 2028. The Company has work opportunity tax credit carryforwards of $76, which will expire in varying amounts through 2039.

At adoption of ASU 2016-09 on January 1, 2017, the cumulative-effect for previously unrecognized excess tax benefits totaled $26,552 net of tax, and was recognized, as an increase, through an adjustment in beginning retained earnings. On a prospective basis, the Company recorded excess tax deficiency/(windfall), net of tax of $(1,089), $(761) and $796 in the provision for income taxes rather than as an decrease/(increase) to additional paid-in capital for the years ended December 31, 2019, 2018 and 2017, respectively.

At December 31, 2019, the Company has tax-effected federal net operating loss carryforwards of $1,828,329, which may be offset against future taxable income. If not utilized in future years, $390,174 of these carryforwards will expire in varying amounts through 2037. The remaining $1,438,155 of carryforwards do not expire. The Company has tax-effected state net operating loss carryforwards of $61,228, which may be used against future taxable income. If not utilized in future years, $53,506 of these carryforwards will expire in varying amounts through 2039. The remaining $7,723 of state carryforwards do not expire.

As of December 31, 2019, the Company had recorded a valuation allowance for state tax net operating loss carryforwards and foreign tax credits for which it does not have a tax-planning strategy in place. A rollforward of the valuation allowance for the years ended December 31, 2019, 2018 and 2017 is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Valuation allowance, beginning of year	$7,510	$3,299	$2,501
Provision (release)	1,075	4,211	798
Valuation allowance, end of year	$8,585	$7,510	$3,299

A reconciliation of the beginning and ending balances of gross unrecognized tax benefits for each of the years ended December 31, 2019, 2018 and 2017 is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Gross unrecognized tax benefits balance, January 1	$15,965	$14,746	$16,736
Additions for tax positions taken in the current year	—	—	—
Additions for tax positions of prior years	12,674	1,608	473
Reductions for tax positions of prior years	—	(203)	(589)
Reductions as a result of a lapse of the applicable statute of limitations	(1,069)	(186)	(1,874)
Settlements	—	—	—
Gross unrecognized tax benefits balance, December 31	$27,570	$15,965	$14,746

At December 31, 2019, 2018 and 2017, there were $27,440, $15,836 and $14,615, respectively, of net unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. Accrued interest and penalties associated with uncertain tax positions are recognized as a component of the income tax provision. Accrued interest and penalties of $451, $895, and $653 are included with the related tax liability line in the accompanying consolidated balance sheets as of December 31, 2019, 2018 and 2017, respectively.

At December 31, 2019, the Company believes that it is reasonably possible that a portion of the balance of the gross unrecognized tax benefits could decrease to zero in the next twelve months due to ongoing activities with various taxing jurisdictions that the Company expects may give rise to settlements or the expiration of statute of limitations. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Company is subject to examination by federal and state taxing authorities. Periods subsequent to December 31, 2010 are open for audit by the IRS. The SHUSA consolidated return, of which the Company is a part through December 31, 2011, is currently under IRS examination for 2011. The Company's separate returns for 2012, 2013 and 2014 are also under IRS examination. Periods subsequent to December 31, 2008, are open for audit by various state taxing authorities.

11. Commitments and Contingencies

The following table summarizes liabilities recorded for commitments and contingencies as of December 31, 2019 and 2018, all of which are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets:

Agreement or Legal Matter	Commitment or Contingency	December 31, 2019	December 31, 2018
Chrysler Agreement	Revenue-sharing and gain/(loss), net-sharing payments	$ 12,132	$ 7,001
Agreement with Bank of America	Servicer performance fee	2,503	6,353
Agreement with CBP	Loss-sharing payments	1,429	3,708
Other Contingencies	Consumer arrangements	1,991	2,138
Legal and regulatory proceedings	Aggregate legal and regulatory liabilities	137,000	97,700
	Total commitments and contingencies	$155,055	$116,900

Following is a description of the agreements and legal matters pursuant to which the liabilities in the preceding table were recorded.

Chrysler Agreement

Under terms of the Chrysler Agreement, the Company must make revenue sharing payments to FCA and also must share with FCA when residual gains/(losses) on leased vehicles exceed a specified threshold. The Company had accrued $12,132 and $7,001 at December 31, 2019 and 2018, respectively, related to these obligations. The Chrysler Agreement also requires that the Company maintain at least $5.0 billion in funding available for Floorplan Loans and $4.5 billion of financing dedicated to FCA retail financing. In turn, FCA must provide designated minimum threshold percentages of its subvention business to the Company.

Agreement with Bank of America

Until January 2017, the Company had a flow agreement with Bank of America whereby the Company was committed to selling up to $300,000 of eligible loans to the bank each month. 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. Servicer performance payments are due six years from the cut-off date of each loan sale. The Company had accrued $2,503 and $6,353 at December 31, 2019 and 2018, respectively, related to this obligation.

Agreement with CBP

Until May 2017, the Company sold loans to CBP under terms of a flow agreement and predecessor sale agreements. The Company retained servicing on the sold loans and owes 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. Loss-sharing payments are due the month in which net losses exceed the established threshold of each loan sale. The Company had accrued $1,429 and $3,708 at December 31, 2019 and 2018, respectively, related to the loss-sharing obligation.

Other Contingencies

The Company is or may be subject to potential liability under various other contingent exposures. The Company had accrued $1,991 and $2,138 at December 31, 2019 and 2018, respectively, for other miscellaneous contingencies.

Legal and regulatory proceedings

Periodically, the Company is party to, or otherwise involved in, various lawsuits and other legal proceedings that arise in the ordinary course of business. In view of the inherent difficulty of predicting the outcome of any such lawsuit, regulatory matter and legal proceeding, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict the eventual outcome of the pending matters, the timing of the ultimate resolution of the matters, or the eventual loss, fines or penalties related to the matter. Further, it is reasonably possible that actual outcomes or losses may differ materially from the Company's current assessments and estimates and any adverse resolution of any of these matters against it could materially and adversely affect the Company's business, financial condition and results of operation.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation, regulatory matters and other legal proceedings when those matters present material loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. As a litigation, regulatory matter or other legal proceeding develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether the matter presents a material loss contingency that is probable and estimable. If a determination is made during a given quarter that a material loss contingency is probable and estimable, an accrued liability is established during such quarter with respect to such loss contingency. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability previously established.

As of December 31, 2019, the Company has accrued aggregate legal and regulatory liabilities of $137 million. Further, the Company believes that the estimate of the aggregate range of reasonably possible losses, in excess of reserves established, for legal and regulatory proceedings is up to $11.5 million as of December 31, 2019. Set forth below are descriptions of the material lawsuits, regulatory matters and other legal proceedings to which the Company is subject.

Securities Class Action and Shareholder Derivative Lawsuits

- *Deka Lawsuit:* The Company is a defendant in a purported securities class action lawsuit (the "Deka Lawsuit") in the United States District Court, Northern District of Texas, captioned *Deka Investment GmbH et al. v. Santander Consumer USA Holdings Inc. et al*., No. 3:15-cv-2129-K. The Deka Lawsuit, which was filed in August 26, 2014, was brought against the Company, certain of its current and former directors and executive officers and certain institutions that served as underwriters in the Company's IPO on behalf of a class consisting of those who purchased or otherwise acquired our securities between January 23, 2014 and June 12, 2014. The complaint alleges, among other things, that our IPO registration statement and prospectus and certain subsequent public disclosures violated federal securities laws by containing misleading statements concerning the Company's ability to pay dividends and the adequacy of the Company's compliance systems and oversight. In December 2015, the Company and the individual defendants moved to dismiss the lawsuit, which was denied. In December 2016, the plaintiffs moved to certify the proposed classes. In July 2017, the court entered an order staying the Deka Lawsuit pending the resolution of the appeal of a class certification order in In re Cobalt Int'l Energy, Inc. Sec. Litig., No. H-14-3428, 2017 U.S. Dist. LEXIS 91938 (S.D. Tex. June 15, 2017). In October 2018, the court vacated the order staying the Deka Lawsuit and ordered that merits discovery in the Deka Lawsuit be stayed until the court ruled on the issue of class certification.

- *Feldman Lawsuit:* In October 2015, a shareholder derivative complaint was filed in the Court of Chancery of the State of Delaware, captioned *Feldman v. Jason A. Kulas, et al*., C.A. No. 11614 (the "Feldman Lawsuit"). The Feldman Lawsuit names as defendants, certain of its current and former members of the Board, and names the Company as a nominal defendant. The complaint alleges, among other things, that the current and former director defendants breached their fiduciary duties in connection with overseeing the Company's nonprime vehicle lending practices, resulting in harm to the Company. The complaint seeks unspecified damages and equitable relief. In December 2015, the Feldman Lawsuit was stayed pending the resolution of the Deka Lawsuit.
- *Jackie888 Lawsuit:* In September 2016, a shareholder derivative complaint was filed in the Court of Chancery of the State of Delaware, captioned *Jackie888, Inc. v. Jason Kulas, et al*., C.A. # 12775 (the "Jackie888 Lawsuit"). The Jackie888 Lawsuit names as defendants current and former members of the Board, and names the Company as a nominal defendant. The complaint alleges, among other things, that the defendants breached their fiduciary duties in connection with the Company's accounting practices and controls. The complaint seeks unspecified damages and equitable relief. In April 2017, the Jackie888 Lawsuit was stayed pending the resolution of the Deka Lawsuit.

On March 23, 2018, the Feldman Lawsuit and Jackie888 Lawsuit were consolidated under the caption *In Re Santander Consumer USA Holdings, Inc. Derivative Litigation*, Del. Ch., Consol. C.A. No. 11614-VCG. On January 21, 2020, the Company executed a Stipulation and Agreement of Settlement, Compromise and Release with the plaintiffs in the consolidated action that fully resolves all of the plaintiffs' claims om the Feldman Lawsuit and the Jackie888 Lawsuit. The Stipulation provides for the settlement of the consolidated action in return for defendants causing the Company to enact and implement certain corporate governance reforms and enhancements. The settlement is subject to approval by the Court.

Consumer Lending Cases

The Company is also party to various lawsuits pending in federal and state courts alleging violations of state and federal consumer lending laws, including, without limitation, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, Fair Credit Reporting Act, Section 5 of the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Truth in Lending Act, wrongful repossession laws, usury laws and laws related to unfair and deceptive acts or practices. In general, these cases seek damages and equitable and/or other relief.

Regulatory Investigations and Proceedings

The Company is party to, or is periodically otherwise involved in, reviews, investigations, examinations and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the FRBB, the CFPB, the DOJ, the SEC, the FTC and various state regulatory and enforcement agencies.

Currently, such matters include, but are not limited to, the following:

- The Company received a civil subpoena from the DOJ, under FIRREA, requesting the production of documents and communications that, among other things, relate to the underwriting and securitization of nonprime vehicle loans. The Company has responded to these requests within the deadlines specified in the subpoena and has otherwise cooperated with the DOJ with respect to this matter.
- In October 2014, May 2015, July 2015 and February 2017, the Company received subpoenas and/or Civil Investigative Demands (CIDs) from the Attorneys General of California, Illinois, Oregon, New Jersey, Maryland and Washington under the authority of each state's consumer protection statutes. The Company has been informed that these states serve as an executive committee on behalf of a group of 33 state Attorneys General (and the District of Columbia). The subpoenas and/or CIDs from the executive committee states contain broad requests for information and the production of documents

related to the Company's underwriting, securitization, servicing and collection of nonprime vehicle loans. The Company has responded to these requests within the deadlines specified in the CIDs and has otherwise cooperated with the Attorneys General with respect to this matter.

- In August 2017, the Company received a CID from the CFPB. The stated purpose of the CID is to determine whether the Company has complied with the Fair Credit Reporting Act and related regulations. The Company has responded to these requests within the deadlines specified in the CIDs and has otherwise cooperated with the CFPB with respect to this matter.

These matters are ongoing and could in the future result in the imposition of damages, fines or other penalties. No assurance can be given that the ultimate outcome of these matters or any resulting proceedings would not materially and adversely affect the Company's business, financial condition and results of operations.

- *2017 Written Agreement with the Federal Reserve:* In March 2017, the Company and SHUSA entered into a written agreement with the FRBB. Under the terms of the agreement, the Company is required to enhance its compliance risk management program, Board oversight of risk management and senior management oversight of risk management, and SHUSA is required to enhance its oversight of the Company's management and operations.
- *Mississippi Attorney General Lawsuit:* In January 2017, the Attorney General of Mississippi filed a lawsuit against the Company in the Chancery Court of the First Judicial District of Hinds County, Mississippi, captioned State of Mississippi ex rel. Jim Hood, Attorney General of the State of Mississippi v. Santander Consumer USA Inc., C.A. # G-2017-28. The complaint alleges that the Company engaged in unfair and deceptive business practices to induce Mississippi consumers to apply for loans that they could not afford. The complaint asserts claims under the Mississippi Consumer Protection Act (the MCPA) and seeks unspecified civil penalties, equitable relief and other relief. In March 2017, the Company filed motions to dismiss the lawsuit and the parties are proceeding with discovery.
- *SCRA Consent Order:* In February 2015, the Company entered into a consent order with the DOJ, approved by the United States District Court for the Northern District of Texas, that resolves the DOJ's claims against the Company that certain of its repossession and collection activities during the period of time between January 2008 and February 2013 violated the Servicemembers Civil Relief Act (SCRA). The consent order requires the Company to pay a civil fine in the amount of $55, as well as at least $9,360 to affected servicemembers consisting of $10 per servicemember plus compensation for any lost equity (with interest) for each repossession by the Company, and $5 per servicemember for each instance where the Company sought to collect repossession-related fees on accounts where a repossession was conducted by a prior account holder. The consent order also provides for monitoring by the DOJ for the Company's SCRA compliance for a period of five years and requires the Company to undertake certain additional remedial measures.

Agreements

- *Bluestem*

The Company is party to agreements with Bluestem whereby the Company is committed to purchase certain new advances on personal revolving financings receivables, along with existing balances on accounts with new advances, originated by Bluestem for an initial term ending in April 2020 and renewable through April 2022 at Bluestem's option. As of December 31, 2019 and 2018, the total unused credit available to customers was $3.0 billion and $3.1 billion, respectively. In 2019, the Company purchased $1.2 billion of receivables, out of the $3.1 billion unused credit available to customers as of December 31, 2018. In 2018, the Company purchased $1.2 billion of receivables, out of the $3.9 billion unused credit available to customers as of December 31, 2017. In addition, the Company purchased $270,424 and $304,550 of receivables related to newly opened customer accounts in 2019 and 2018 respectively.

Each customer account generated under the agreements generally is approved with a credit limit higher than the amount of the initial purchase, with each subsequent purchase automatically approved as long as it does not cause the account to exceed its limit and the customer is in good standing. As of December 31, 2019 and 2018, the Company was obligated to purchase $10,628 and $15,356, respectively, in receivables that had been originated by Bluestem but not yet purchased by the Company. The Company also is required to make a profit-sharing payment to Bluestem each month if performance exceeds a specified return threshold. The agreement, among other provisions, gives Bluestem the right to repurchase up to 9.99% of the existing portfolio at any time during the term of the agreement, and, provides that if the repurchase right is exercised, Bluestem has the right to retain up to 20% of new accounts subsequently originated.

- *Others*

Under terms of an application transfer agreement with Nissan, the Company has the first opportunity to review for its own portfolio any credit applications turned down by the Nissan's captive finance company. The agreement does not require the Company to originate any loans, but for each loan originated the Company will pay Nissan a referral fee.

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 December 31, 2019, there were no loans that were the subject of a demand to repurchase or replace for breach of representations and warranties for the Company's asset-backed securities or other sales. In the opinion of management, the potential exposure of other recourse obligations related to the Company's retail installment contract sales agreements is not expected to have a material adverse effect on the Company's business, financial position, results of operations, or cash flows.

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

In November 2015, the Company executed a forward flow asset sale agreement with a third party under terms of which the Company committed to sell $350,000 in charged off loan receivables in bankruptcy status on a quarterly basis. However, any sale more than $275,000 is subject to a market price check. The remaining aggregate commitment as of December 31, 2019 and 2018, not subject to market price check was $39,787 and $63,975, respectively.

12. Related-Party Transactions

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

Credit Facilities

Interest expense, including unused fees, for affiliate lines of credit for the years ended December 31, 2019, 2018 and 2017 was as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Lines of credit agreement with Santander — New York Branch (a)	$ —	$ 11,620	$51,735
Debt facilities with SHUSA (Note 6)	209,399	151,238	90,988

(a) Through its New York branch, Santander provided the Company with revolving credit facilities. During the year ended December 31, 2018 these facilities were terminated.

Accrued interest for affiliate lines of credit at December 31, 2019 and 2018, was as follows:

	December 31, 2019	December 31, 2018
Debt facilities with SHUSA (Note 6)	$29,326	$19,928

In 2015, under an agreement with Santander, the Company agreed to begin incurring a fee of 12.5 basis points (per annum) on certain warehouse lines, as they renew, for which Santander provides a guarantee of the Company's servicing obligations. The Company recognized guarantee fee expense of $384, $5,024, and $5,979 for the years ended December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019 and 2018, the Company had $0 and $1,922 of related fees payable to Santander, respectively.

Derivatives

The Company has derivative financial instruments with Santander and affiliates with outstanding notional amounts of $1,874,100 and zero as of December 31, 2019 and 2018, respectively (Note 8). The Company had a collateral overage on derivative liabilities with Santander and affiliates of $2,220 and zero as of December 31, 2019 and 2018, respectively.

Interest and mark-to-market adjustments on these derivative financial instruments totaled $315, $930 and $1,333 for the years ended December 31, 2019, 2018 and 2017, respectively.

Lease origination and servicing agreement

Servicing fee income recognized on leases serviced for SBNA totaled $9, $1,425 and $4,894 for the years ended December 31, 2019, 2018 and 2017, respectively.

Retail Installment Contracts and RV Marine

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 $1,776, $3,690 and $3,381 for the years ended December 31, 2019, 2018 and 2017, respectively. Other information on the serviced auto loan and retail installment contract portfolios for SBNA as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Total serviced portfolio	$277,669	$383,246
Cash collections due to owner	14,908	14,920
Servicing fees receivable	738	601

Dealer Lending

Under the Company's agreement with SBNA, the Company is required to permit SBNA a first right to review and assess CCAP dealer lending opportunities, and SBNA is required to pay the Company an origination fee and an annual renewal fee for each loan originated under the agreement. The agreement also transferred the servicing of all CCAP receivables from dealers, including receivables held by SBNA and by the Company, from the Company to SBNA. The Company may provide advance funding for dealer loans originated by SBNA, which is reimbursed to the Company by SBNA. The Company had no outstanding receivable from SBNA as of December 31, 2019 or 2018 for such advances.

Other information related to the above transactions with SBNA is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Origination and renewal fee income from SBNA (a)	$5,682	$4,226	$3,136
Servicing fees expenses charged by SBNA (b)	295	78	97

(a) As of December 31, 2019 and 2018, the Company had origination and renewal fees receivable from SBNA of $479 and $385, respectively.
(b) As of December 31, 2019 and 2018, the Company had $5 and $19 of servicing fees payable to SBNA, respectively.

Under the agreement with SBNA, the Company may originate retail consumer loans in connection with sales of vehicles that are collateral held against floorplan loans by SBNA. Upon origination, the Company remits payment to SBNA, who settles the transaction with the dealer. The Company owed SBNA $5,384 and $5,908 related to such originations as of December 31, 2019 and 2018, respectively.

The Company received a $9,000 referral fee in connection with sourcing and servicing arrangement and is amortizing the fee into income over the ten-year term of the agreement through July 1, 2022, the termination date of the agreement. As of December 31, 2019 and 2018, the unamortized fee balance was $3,150 and $4,050, respectively. The Company recognized $900, $900 and $900 of income related to the referral fee for the years ended December 31, 2019, 2018 and 2017, respectively.

Origination Support Services

Beginning in 2018, the Company agreed to provide SBNA with origination support services in connection with the processing, underwriting and purchase of retail loans, primarily from FCA dealers. In addition, the Company agreed to perform the servicing for any loans originated on SBNA's behalf. For the years ended December 31, 2019 and 2018, the Company facilitated the purchase of $7.0 billion and $1.9 billion of retail installment contacts, respectively. The Company recognized origination/referral fee and servicing fee income of $58,148 and $15,489 for the years ended December 31, 2019 and 2018, of which $2,068 is payable and $4,875 is receivable as of December 31, 2019 and 2018, respectively.

Securitizations

The Company had a Master Securities Purchase Agreement (MSPA) with Santander, whereby the Company had the option to sell a contractually determined amount of eligible prime loans to Santander, through the SPAIN securitization platform, for a term that ended in December 2018. The Company provides servicing on all loans originated under this arrangement.

Other information relating to SPAIN securitization platform for the years ended December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Servicing fee income	$29,831	$35,058
Loss (Gain) on sale, excluding lower of cost or market adjustments (if any)	—	20,736

Servicing fee receivable as of December 31, 2019 and 2018 was $1,869 and $2,983, respectively. The Company had $8,180 and $15,968 of collections due to Santander as of December 31, 2019 and 2018, respectively.

Santander Investment Securities Inc. (SIS), an affiliated entity, serves as joint bookrunner and co-manager on certain of the Company's securitizations. Amounts paid to SIS as co-manager for the years ended December 31, 2019, 2018 and 2017, totaled $3,688, $2,647 and $1,359, respectively, and are included in debt issuance costs in the accompanying consolidated financial statements.

Separation and Settlement Agreements

In 2015, the Company announced the departure of Thomas G. Dundon from his roles as Chairman of the Board and CEO of the Company. In connection with his departure, Mr. Dundon entered into a separate agreement (the Separation Agreement) with the Company providing Mr. Dundon with certain payments and benefits.

In 2017, Mr. Dundon entered into a Settlement Agreement with Santander, SHUSA, SC, SC Illinois, and DDFS LLC (the Settlement Agreement) pursuant to which Mr. Dundon received cash payments from the Company totaling $66,115, of which $52,799 was paid in satisfaction of Mr. Dundon's previous exercise of certain stock options that was the subject of the Separation Agreement. The $66,115 cash payment was recorded as compensation expense in the Company's consolidated statement of income and comprehensive income. The Settlement Agreement also modified the terms of certain equity-based awards previously granted to Mr. Dundon. In addition, pursuant to the Settlement Agreement, the parties agreed to consummate the Call Transaction. The Call Transaction was consummated in 2017, pursuant to which Santander purchased the 34,598,506 shares of the Company's Common Stock owned by DDFS LLC for an aggregate price of $941,945, representing the aggregate of the previously agreed price per share of the Company's Common Stock of $26.17, as set forth in the Third Amendment, interest accrued after the Call End Date. The net proceeds to DDFS LLC from the Call Transaction were reduced by all amounts outstanding and/or accrued under the Loan Agreement, including principal, interest (including default interest), and fees, through the closing of the Call Transaction, which totaled $294,501.

Former CEO and other employee compensation

In December 2019, Scott Powell resigned as president and CEO of the Company. During the years ended December 31, 2019 and 2018, the Company accrued $3,095 and $4,033 as its share of compensation expense based on time allocation between his services to the Company and SHUSA.

In addition, certain employees of the Company and SHUSA, provide services to each other. For the years ended December 31, 2019 and 2018, the Company owed SHUSA approximately $16,064 and $2,595, and SHUSA owed the Company approximately $5,234 and $1,222 for such services, respectively.

Other related-party transactions

- As of December 31, 2019, Jason A. Kulas and Mr. Dundon, both being former members of the Board and CEOs of the Company, each had a minority equity investment in a property in which the Company leases approximately 373,000 square feet as its corporate headquarters. During the years ended December 31, 2019, 2018 and 2017, the Company recorded $5,305, $4,775 and $4,970, respectively, in lease expenses on this property. The Company subleases approximately 13,000 square feet of its corporate office space to SBNA. For the years ended December 31, 2019, 2018 and 2017, the Company recorded $176, $163 and $163, respectively, in sublease revenue on this property. Future minimum lease payments over the remainder of the seven-year term of the lease, which extends through 2026, totaled $48,478.
- The Company's wholly-owned subsidiary, Santander Consumer International Puerto Rico, LLC (SCI), has deposit accounts with Banco Santander Puerto Rico, an affiliated entity. As of December 31, 2019 and 2018, SCI had cash (including restricted cash) of $8,102 and $8,862, respectively, on deposit with Banco Santander Puerto Rico.
- The Company has certain deposit and checking accounts with SBNA, an affiliated entity. As of December 31, 2019 and 2018, the Company had a balance of $33,683 and $92,774, respectively, in these accounts.
- Beginning in 2017, the Company and SBNA entered into a Credit Card Agreement (Card Agreement) whereby SBNA will provide credit card services for travel and related business expenses for vendor payments. This service is at zero cost but generates rebates based on purchases made. As of December 31, 2019, the activities associated with the program were insignificant.
- Beginning in 2016, the Company agreed to pay SBNA a market rate-based fee expense for payments made at SBNA retail branch locations for accounts originated or serviced by the Company and the costs associated with modifying the Advanced Teller platform to the payments. The Company incurred expenses of $230, $258 and 225 for the years ended December 31, 2019, 2018 and 2017, respectively.

- Effective 2017, the Company contracted Aquanima, a Santander affiliate, to provide procurement services. Expenses incurred totaled $2,035, $1,515 and $637 for the years ended December 31, 2019, 2018 and 2017, respectively.
- Santander Global Tech (formerly known as 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 other operating costs in the accompanying consolidated statements of income, totaled $334, zero and zero for the years ended December 31, 2019, 2018 and 2017, respectively.
- The Company partners with SHUSA to place Cyber Liability Insurance in which participating national entities share $150 million aggregate limits. The Company repays SHUSA for the Company's equitably allocated portion of insurance premiums and fees. Expenses incurred totaled $432, $369 and $312 for the years ended December 31, 2019, 2018 and 2017, respectively. In addition the Company partners with SHUSA for various other insurance products. Expenses incurred totaled $754 and $708 and $607 for the years ended December 31, 2019, 2018 and 2017, respectively.

13. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2019, 2018 and 2017 was as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Cash paid (received) during the year for:			
Interest	$1,334,988	$1,104,982	$942,551
Income taxes	13,080	9,865	1,856
Noncash investing and financing transactions:			
Transfer of revolving credit facilities to secured structured financings	—	—	495,991
Adoption of lease accounting standard:			
Right-of-use assets	67,300	—	—
Accrued expenses and payables	91,400	—	—

14. Computation of Basic and Diluted Earnings per Common Share

Earnings per common share ("EPS") 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.

The calculation of diluted EPS excludes the effect of exercise or settlement of the following securities that would be anti-dilutive:

(a) Employee stock options of $24,507, $168,728 and $367,880 for the years ended December 31, 2019, 2018 and 2017, respectively; and

(b) RSUs of zero for the years ended December 31, 2019 and 2018, and $626,551 for the year ended 2017.

The following table represents EPS numbers for the years ended December 31, 2019, 2018 and 2017.

	For the Year Ended December 31,		
	2019	2018	2017
Earnings per common share			
Net income	$994,370	$915,926	$1,172,807
Weighted average number of common shares outstanding before restricted participating shares (in thousands)	346,992	359,862	359,614
Weighted average number of common shares outstanding (in thousands)	346,992	359,862	359,614
Earnings per common share	$ 2.87	$ 2.55	$ 3.26
Earnings per common share — assuming dilution			
Net income	$994,370	$915,926	$1,172,807
Weighted average number of common shares outstanding (in thousands)	346,992	359,862	359,614
Effect of employee stock-based awards (in thousands)	516	810	678
Weighted average number of common shares outstanding — assuming dilution (in thousands)	347,508	360,672	360,292
Earnings per common share — assuming dilution	$ 2.86	$ 2.54	$ 3.26

15. Fair Value of Financial Instruments

Fair value measurement requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that can be accessed as of the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are those that are unobservable for the asset or liability and are used to measure fair value to the extent relevant observable inputs are not available.

Financial Instruments Disclosed, But Not Carried, At Fair Value

The following tables present the carrying value and estimated fair value of the Company's financial assets and liabilities disclosed, but not carried, at fair value at December 31, 2019 and 2018, and the level within the fair value hierarchy:

	December 31, 2019				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents (a)	$ 81,848	$ 81,848	$ 81,848	$ —	$ —
Finance receivables held for investment, net (b)	27,544,162	28,133,427	—	1,009,358	27,124,069
Restricted cash and cash equivalents (a)	2,079,239	2,079,239	2,079,239	—	—
Total	$29,705,249	$30,294,514	$2,161,087	$ 1,009,358	$27,124,069
Liabilities:					
Notes payable — facilities with third parties (c)	$ 5,399,931	$ 5,399,931	$ —	$ —	$ 5,399,931
Notes payable — secured structured financings (d)	28,141,885	28,360,948	—	18,646,326	9,714,622
Notes payable — facilities with Santander and related subsidiaries (e)	5,652,325	5,724,675	—	—	5,724,675
Total	$39,194,141	$39,485,554	$ —	$18,646,326	$20,839,228

	December 31, 2018				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents (a)	$ 148,436	$ 148,436	$ 148,436	$ —	$ —
Finance receivables held for investment, net (b)	24,914,833	26,037,559	—	—	26,037,559
Restricted cash and cash equivalents (a)	2,102,048	2,102,048	2,102,048	—	—
Total	$27,165,317	$28,288,043	$2,250,484	$ —	$26,037,559
Liabilities:					
Notes payable — facilities with third parties (c)	$ 4,478,214	$ 4,478,214	$ —	$ —	$ 4,478,214
Notes payable — secured structured financings (d)	26,901,530	26,994,912	—	17,924,867	9,070,045
Notes payable — facilities with Santander and related subsidiaries (e)	3,503,293	3,438,543	—	—	3,438,543
Total	$34,883,037	$34,911,669	$ —	$17,924,867	$16,986,802

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

(b) **Finance receivables held for investment, net** — Finance receivables held for investment, net are carried at amortized cost, net of an allowance. These receivables exclude retail installment contracts that are measured at fair value on a recurring and nonrecurring basis. The estimated fair value for the underlying financial instruments are determined as follows:

- *Retail installment contracts held for investment and purchased receivables—credit impaired* — The estimated fair value for certain finance receivables at December 31, 2019 is based on the most recent purchase price and hence has classified these amounts as Level 2. The estimated fair value for the remaining finance receivables is calculated based on a DCF in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates, expected recovery rates, discount rates reflective of the cost of funding, and credit loss expectations. Accordingly, these remaining retail installment contracts held for investment are classified as Level 3.
- *Finance lease receivables* — Finance lease receivables are carried at gross investments, net of unearned income and allowance for lease losses. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements.
- *Receivables from dealers and personal loans held for investment* — Receivables from dealers and personal loans held for investment are carried at amortized cost, net of credit loss allowance. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements.

- **Notes payable — facilities with third parties** — 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 as the facilities are subject to short-term floating interest rates that approximate rates available to the Company.
- **Notes payable — secured structured financings** — The estimated fair value of notes payable related to secured structured financings is calculated based on market observable prices and spreads for the Company's publicly traded debt and market observed prices of similar notes issued by the Company, or recent market transactions involving similar debt with similar credit risks, which are considered level 2 inputs. The estimated fair value of notes payable related to privately issued amortizing notes is calculated based on a combination of credit enhancement review, discounted cash flow analysis and review of market observable spreads for similar liabilities. In conducting this analysis, the Company uses significant unobservable inputs on key assumptions, including historical default rates, prepayment rates, discount rates reflective of the cost of funding, and credit loss expectations, which are considered level 3 inputs.
- **Notes payable — facilities with Santander and related subsidiaries** — The carrying amount of floating rate notes payable to a related party is estimated to approximate fair value as the facilities are subject to short-term floating interest rates that approximate rates available to the Company. The fair value premium/discount of the fixed rate promissory notes are derived from changes in the Company's unsecured cost of funds since the time of issuance and weighted average life of these notes.

Financial Instruments Measured At Fair Value On A Recurring Basis

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2019 and 2018, and the level within the fair value hierarchy:

	Fair Value Measurements at December 31, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets — trading interest rate caps (a)	$37,222	$—	$37,222	$ —
Due from affiliates — trading interest rate caps (a)	25,330	—	25,330	—
Other assets — cash flow hedging interest rate swaps (a)	2,807	—	2,807	—
Other assets — trading interest rate swaps (a)	—	—	—	—
Other assets — available-for-sale-debt securities (b)	92,246	—	92,246	—
Other liabilities — trading options for interest rate caps (a)	37,222	—	37,222	—
Other liabilities — cash flow hedging interest rate swaps (a)	39,128	—	39,128	—
Due to affiliates — trading options for interest rate caps (a)	25,330	—	25,330	—
Other liabilities — trading interest rate swaps (a)	10,267	—	10,267	—
Retail installment contracts (c)(d)	22,353	—	17,634	4,719

	Fair Value Measurements at December 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets — trading interest rate caps (a)	$128,377	$—	$128,377	$ —
Other assets — cash flow hedging interest rate swaps (a)	43,967	—	43,967	—
Other assets — trading interest rate swaps (a)	11,553	—	11,553	—
Other liabilities — trading options for interest rate caps (a)	128,377	—	128,377	—
Other liabilities — cash flow hedging interest rate swaps (a)	7,478	—	7,478	—
Other liabilities — trading interest rate swaps (a)	2,130	—	2,130	—
Retail installment contracts (c)(d)	13,509	—	—	13,509

(a) The valuation is determined using widely accepted valuation techniques including a DCF 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 8).

(b) The Company's available-for-sale debt securities includes U.S. Treasury securities that are valued utilizing observable market quotes. The Company obtains vendor trading platform data (actual prices) from a number of live data sources, including active market makers and interdealer brokers and therefore, classified as Level 2.

(c) For certain retail installment contracts reported in finance receivables held for investment, net, the Company has elected the fair value option. For a majority of these loans, the Company has used the most recent purchase price as the fair value and hence has classified these amounts as Level 2. The fair values of the remaining retail installment contracts are estimated using a DCF model. When estimating the fair value using this model, the Company uses significant unobservable inputs on key assumptions, which includes historical default rates and adjustments to reflect prepayment rates based on available data from a comparable market securitization of similar assets, discount rates reflective of the cost of funding of debt issuance and recent historical equity yields, and recovery rates based on the average severity utilizing reported severity rates and loss severity utilizing available market data from a comparable securitized pool. Accordingly, these remaining retail installment contracts held for investment are classified as Level 3. Changes in the fair value are recorded in investment gains (losses), net in the consolidated statement of income.

(d) The aggregate fair value of retail installment contracts in non-accrual status as of December 31, 2019 and 2018 is $9,511 and $5,126, respectively.

The following table presents the changes in retail installment contracts held for investment balances classified as Level 3 balances for the years ended December 31, 2019, 2018 and 2017:

	Year Ended		
	2019	**2018**	**2017**
Balance — beginning of year	$ 13,509	$ 22,124	$ 24,495
Additions / issuances	2,079	6,631	21,672
Net collection activities	(11,766)	(16,755)	(28,598)
Gains recognized in earnings	897	1,509	4,555
Balance — end of year	$ 4,719	$ 13,509	$ 22,124

The Company did not have any transfers between Levels 1 and 2 during the years ended December 31, 2019, 2018 and 2017. There were no amounts transferred into or out of Level 3 during the years ended December 31, 2019, 2018 and 2017.

Financial Instruments Measured At Fair Value On A Nonrecurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2019 and 2018, and are categorized using the fair value hierarchy:

	Fair Value Measurements at December 31, 2019				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Lower of cost or fair value expense for the year ended December 31, 2019
Other assets — vehicles (a)	$ 341,465	$—	$341,465	$ —	$ —
Personal loans held for sale (b)	1,007,105	—	—	1,007,105	408,700
Auto loans impaired due to bankruptcy (c)	200,504	—	200,504	—	9,106

	Fair Value Measurements at December 31, 2018				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Lower of cost or fair value expense for the year ended December 31, 2018
Other assets — vehicles (a)	$ 342,097	$—	$342,097	$ —	$ —
Personal loans held for sale (b)	1,068,757	—	—	1,068,757	367,219
Retail installment contracts held for sale	—	—	—	—	15,098
Auto loans impaired due to bankruptcy (c)	189,114	—	189,114	—	18,083

(a) The Company estimates the fair value of its vehicles, which are obtained either through repossession or lease termination, using historical auction rates and current market levels of used car prices.

(b) The estimated fair value for personal loans held for sale is calculated based on the lower of market participant view and a DCF analysis in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates (principal and interest), discount rates reflective of the cost of funding, and credit loss expectations. The lower of cost or fair value adjustment for personal loans held for sale includes customer default activity and adjustments related to the net change in the portfolio balance during the reporting period.

(c) For loans that are considered collateral-dependent, such as certain bankruptcy loans, impairment is measured based on the fair value of the collateral, less its estimated cost to sell. For the underlying collateral, the estimated fair value is obtained using historical auction rates and current market levels of used car prices.

Quantitative Information about Level 3 Fair Value Measurements

The following table presents quantitative information about the significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis at December 31, 2019 and 2018:

Financial Instruments	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Range
Financial Assets:				
Retail installment contracts held for investment	$ 4,719	Discounted Cash Flow	Discount Rate	8% —10%
			Default Rate	15% —20%
			Prepayment Rate	6% — 8%
			Loss Severity Rate	50% — 60%
			Market Approach	
			Market Participant View	70% — 80%
			Income Approach	
Personal loans held for sale	$1,007,105	Lower of Market or Income Approach	Discount Rate	15% —25%
			Default Rate	30% — 40%
			Net Principal & Interest Payment Rate	70% — 85%
			Loss Severity Rate	90% —95%

Financial Instruments	Fair Value at December 31, 2018	Valuation Technique	Unobservable Inputs	Range
Financial Assets:				
Retail installment contracts held for investment	$ 13,509	Discounted Cash Flow	Discount Rate	8% — 10%
			Default Rate	15% — 20%
			Prepayment Rate	6% — 8%
			Loss Severity Rate	50% — 60%
			Market Approach	
			Market Participant View	70% — 80%
			Income Approach	
Personal loans held for sale	$1,068,757	Lower of Market or Income Approach	Discount Rate	15% — 25%
			Default Rate	30% — 40%
			Net Principal & Interest Payment Rate	70% — 85%
			Loss Severity Rate	90% — 95%

16. Employee Benefit Plans

SC Compensation Plans — The Company granted stock options to certain executives, other employees, and independent directors under the Company's 2011 Management Equity Plan (the MEP), which enabled the Company to make stock awards up to a total of approximately 29 million common shares (net of shares canceled and forfeited). The MEP expired in January 2015 and the Company will not grant any further awards under the MEP. The Company has granted stock options, restricted stock awards and restricted stock

units (RSUs) under the Omnibus Incentive Plan (the Plan), which was established in 2013 and enables the Company to grant awards of non-qualified and incentive stock options, stock appreciation rights, restricted stock awards, RSUs, and other awards that may be settled in or based upon the value of the Company's common stock up to a total of 5,192,641 common shares. The Plan was amended and restated as of June 16, 2016.

Stock options granted under the MEP and the Plan 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 ten years after grant date 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.

In 2013, the Board approved certain changes to the MEP 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.

Compensation expense related to 583,890 shares of restricted stock that the Company has issued to certain executives is recognized over a five-year vesting period, with zero, zero, and $5,457 recorded for the years ended December 31, 2019, 2018 and 2017, respectively. The Company recognized $8,577, $7,656 and $13,037 related to stock options and restricted stock units within the compensation expense for the years ended December 31, 2019, 2018 and 2017, respectively. In addition, the Company recognizes forfeitures of awards as they occur.

Also, in connection with the IPO, the Company granted additional stock options under the MEP to certain executives, other employees, and an independent director with an estimated compensation cost 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 to employees under the Plan during the year ended December 31, 2016. The estimated compensation cost associated with these additional grants was $727 and will be recognized over the vesting periods of the awards.

A summary of the Company's stock options and related activity as of and for the year ended December 31, 2019 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2019	645,376	$13.15	4.0	$3,682
Granted	—	—	—	—
Exercised	(356,183)	12.72	—	4,266
Expired	(1,480)	9.21	—	—
Forfeited	(15,456)	24.36	—	—
Others (a)	1,480	9.21	—	—
Options outstanding at December 31, 2019	273,737	13.09	3.1	$2,867
Options exercisable at December 31, 2019	243,786	12.57	2.8	$2,674
Options expected to vest at December 31, 2019	29,951	17.26	5.8	193

(a) Represents stock options that were reinstated.

A summary of the status and changes of the Company's nonvested stock options as of and for the year ended December 31, 2019, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2019	87,821	$6.55
Granted	—	—
Vested	(42,414)	7.08
Forfeited	(15,456)	8.09
Non-vested at December 31, 2019	29,951	$5.01

At December 31, 2019, total unrecognized compensation expense for nonvested stock options was $72, which is expected to be recognized over a weighted average period of 0.8 years.

There were no stock options granted to employees in 2019 or 2018.

On November 15, 2017, Mr. Dundon (former Chairman of the Board and CEO of the Company), the Company, SC Illinois, SHUSA, Santander and DDFS LLC (an affiliate of Mr. Dundon), entered into the Settlement Agreement that, among other things, amended the terms of a prior settlement agreement entered into between the parties in connection with Mr. Dundon's departure from the Company. Pursuant to the Settlement Agreement, among other things, Mr. Dundon received payments from the Company totaling $66,115, of which $52,799 was paid in satisfaction of Mr. Dundon's previous exercise of certain stock options that was the subject of the Separation Agreement entered into by Mr. Dundon in connection with his departure from the Company. The Settlement Agreement also modified the terms of certain equity-based awards previously granted to Mr. Dundon.

In connection with compensation restrictions imposed on certain executive officers and other employees by the European Central Bank under the Capital Requirements Directive IV (CRD IV) prudential rules, which require a portion of such officers' and employees' variable compensation to be paid in the form of equity and deferred, the Company periodically grants RSUs. Under the Plan, a portion of these RSUs vest immediately upon grant, and a portion will vest annually over the following three or five years subject to the achievement of certain performance conditions as and where applicable. After the shares subject to the RSUs vest and are settled, they are subject to transfer and sale restrictions for one year. The Company also has granted certain directors RSUs that vest upon the earlier of the first anniversary of grant date or the first stockholder meeting following the grant date. In addition, the Company grants RSUs to certain officers and employees as part of variable compensation and vesting terms can vary depending on grant reason. Any awards granted that are not pursuant to CRD IV compliance are not subject to the one year no sale/transfer restriction. RSUs are valued based upon the fair market value on the date of the grant.

A summary of the Company's Restricted Stock Units and performance stock units and related activity as of and for the year ended December 31, 2019 is as follows:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2019	698,799	$14.53	1.1	$12,292
Granted	473,325	20.46	—	—
Vested	(563,427)	16.69	—	11,882
Forfeited/canceled	(110,398)	16.34	—	—
Non-vested at December 31, 2019	498,299	$17.41	0.9	$11,645

Defined Contribution Plan— The Company sponsors a defined contribution plan offered to qualifying employees. Employees participating in the plan may contribute up to 75% of their eligible compensation, subject to federal limitations on absolute amounts contributed. The Company will match up to 6% of their eligible compensation, with matching contributions of up to 100% of employee contributions. The total amount contributed by the Company in 2019, 2018 and 2017, was $14,039, $13,952, and $12,370, respectively.

17. Shareholders' Equity

Share Repurchases and Treasury Stock

In June 2018, the Board announced purchases by the Company of up to $200 million, excluding commissions, of its outstanding common stock through June 2019.

In May 2019, the Board announced purchases by the Company of up to $400 million, excluding commissions, of its outstanding common stock through the end of the second quarter of 2019.

In June 2019, the Board announced purchases by the Company of up to $1.1 billion, excluding commissions, of its outstanding common stock effective from the third quarter of 2019 through the end of the second quarter of 2020.

On January 30, 2020, the Company commenced a modified Dutch Auction tender offer to purchase up to $1 billion of shares of its common stock, at a range of between $23 and $26 per share, or such lesser number of shares of its common stock as are properly tendered and not properly withdrawn by the seller, in cash. The tender offer expires on February 27, 2020.

The following table presents information regarding repurchases of the Company's common stock as part of publicly announced plans or programs during the year ended December 31, 2019:

$200 Million Share Repurchase Program — January 2019(a)	
Total cost (including commissions paid) of shares repurchased	$ 17,780
Average price per share	$ 18.40
Number of shares repurchased	965,430
$400 Million Share Repurchase Program — May 2019 through June 2019	
Total cost (including commissions paid) of shares repurchased	$ 86,864
Average price per share	$ 23.16
Number of shares repurchased	3,749,692
$1.1 Billion Share Repurchase Program — July 2019 through June 2020	
Total cost (including commissions paid) of shares repurchased	$ 233,350
Average price per share	$ 25.47
Number of shares repurchased	9,155,288

(a) During the year ended December 31, 2018, the Company purchased 9,473,955 shares of its common stock under its share repurchase program at a cost of approximately $182 million. During the year ended December 31, 2019, the Company purchased 13,870,410 shares of it's common stock under its share repurchase program at a cost of approximately $338 million, excluding commissions.

Refer to Part II Item 5 — "*Market for the registrant's common equity, related stockholder matters and issuer purchases of equity securities*," Repurchase of Common Stock section for additional details on share repurchases.

The Company had 23,596,367 and 9,725,957 shares of treasury stock outstanding, with a cost of $525,897 and $187,930 as of December 31, 2019 and 2018, respectively. No shares were withheld to cover income taxes related to stock issued in connection with employee incentive compensation plans for the year ended December 31, 2019. The value of the treasury stock is included within the additional paid-in-capital.

Accumulated Other Comprehensive Income (Loss)

A summary of changes in accumulated other comprehensive income (loss), net of tax, for the years ended December 31, 2019, 2018 and 2017 is as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Beginning balance, unrealized gains (losses)	$ 33,515	$ 44,262	$28,259
Other comprehensive income (loss) before reclassifications (gross)	(32,150)	17,802	21,962
Amounts (gross) reclassified out of accumulated other comprehensive income (loss)	(28,058)	(28,549)	(5,959)
Ending balance, unrealized gains (losses)	$(26,693)	$ 33,515	$44,262

Amounts (gross) reclassified out of accumulated other comprehensive income (loss) during the years ended December 31, 2019, 2018 and 2017 consist of the following:

		For the Year Ended December 31,		
Reclassification	Income statement line item	2019	2018	2017
Cash flow hedges	Interest expense	$(37,079)	$(37,710)	$(6,060)
Tax benefit		9,021	9,161	101
Net of tax		$(28,058)	$(28,549)	$(5,959)

Dividends

During January 2020, the Company declared a cash dividend of $0.22 per share, which was paid on February 20, 2020, to shareholders of record as of the close of business on February 10, 2020.

18. Investment Losses, Net

When the Company sells retail installment contracts, personal loans or leases to unrelated third parties or to VIEs and determines that such sale meets the applicable criteria for sale accounting, the Company recognizes a gain or loss for the difference between the cash proceeds and carrying value of the assets sold. The gain or loss is recorded in investment gains (losses), net. Lower of cost or market adjustments on the recorded investment of finance receivables held for sale are also recorded in investment gains (losses), net.

Investment gains (losses), net was comprised of the following for the year ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
Gain (loss) on sale of loans and leases	$ —	$ (22,250)	$ 17,554
Lower of cost or market adjustments	(408,700)	(382,317)	(386,060)
Other gains, (losses and impairments), net	2,013	2,929	2,067
	$(406,687)	$(401,638)	$(366,439)

The lower of cost or market adjustments for the year ended December 31, 2019, 2018 and 2017 included $418,771, $404,651 and $451,672, in customer default activity, respectively, and net favorable adjustments of $10,071, $22,334 and $65,612, respectively, primarily related to net changes in the unpaid principal balance on the personal lending portfolio, all of which is classified as held for sale.

19. Quarterly Financial Data (unaudited)

The following is a summary of quarterly financial results:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2019				
Total finance and other interest income	$ 1,913,387	$ 1,948,771	$ 1,989,250	$ 2,005,050
Net finance and other interest income	1,134,986	1,174,290	1,197,845	1,155,412
Provision for credit losses	550,879	430,676	566,849	545,345
Income (loss) before income taxes	337,267	480,031	314,694	222,276
Net income (loss)	247,503	368,267	232,538	146,062
Net income (loss) per common share (basic)	$ 0.70	$ 1.05	$ 0.67	$ 0.43
Net income (loss) per common share (diluted)	$ 0.70	$ 1.05	$ 0.67	$ 0.43
Allowance for credit losses	$ 3,176,250	$ 3,122,259	$ 3,116,680	$ 3,043,469
Finance receivables held for investment, net	25,598,716	25,838,749	26,500,359	27,767,019
Total assets	45,045,906	46,416,093	47,279,015	48,933,529
Total equity	7,158,530	7,337,261	7,345,202	7,318,620
Year Ended December 31, 2018				
Total finance and other interest income	$ 1,679,955	$ 1,757,397	$ 1,818,748	$ 1,877,418
Net finance and other interest income	1,080,244	1,123,109	1,144,089	1,138,560
Provision for credit losses	510,341	406,544	597,914	690,786
Income before income taxes	302,667	449,146	296,822	143,633
Net income	244,614	335,026	231,948	104,338
Net income per common share (basic)	$ 0.68	$ 0.93	$ 0.64	$ 0.29
Net income per common share (diluted)	$ 0.68	$ 0.93	$ 0.64	$ 0.29
Allowance for credit losses	$ 3,320,821	$ 3,320,792	$ 3,305,186	$ 3,240,376
Finance receivables held for investment, net	22,551,646	24,057,164	24,839,583	25,117,454
Total assets	40,028,740	41,157,189	42,806,955	43,959,855
Total equity	6,713,532	7,033,636	7,141,215	7,018,358

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act as of December 31, 2019 (the "Evaluation Date"). Based on that evaluation, our CEO and CFO have concluded that as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP.

Management's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

As of December 31, 2019, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (the 2013 framework). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, as stated in their report, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Remediation of Previously Reported Material Weakness

Management has completed the testing of design and operating effectiveness of the new and enhanced controls related to the following previously reported material weakness. A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. Management considers the material weakness remediated:

Control Environment, Risk Assessment, Control Activities and Monitoring

We did not maintain effective internal control over financial reporting related to our control environment, risk assessment, control activities and monitoring:

- Management did not effectively execute a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting.
- The tone at the top was insufficient to ensure there were adequate mechanisms and oversight to ensure accountability for the performance of internal control over financial reporting responsibilities and to ensure corrective actions were appropriately prioritized and implemented in a timely manner.
- There was not adequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company's policies and GAAP.
- There was not an adequate assessment of changes in risks by management that could significantly impact internal control over financial reporting or an adequate determination and prioritization of how those risks should be managed.

- There was not adequate management oversight and identification of models, spreadsheets and completeness and accuracy of data material to financial reporting.
- There were insufficiently documented Company accounting policies and insufficiently detailed Company procedures to put policies into effective action.
- There was a lack of appropriate tone at the top in establishing an effective control owner risk and controls self-assessment process which contributed to a lack of clarity about ownership of risk assessments and control design and effectiveness. There was insufficient governance, oversight and monitoring of the credit loss allowance and accretion processes and a lack of defined roles and responsibilities in monitoring functions.

To address the material weakness, noted above, the Company has taken the following measures:

- Appointed an additional independent director to the Audit Committee of the Board with extensive experience as a financial expert in our industry to provide further experience on the committee.
- Established regular working group meetings, with appropriate oversight by management of both the Company and its parent to strengthen accountability for performance of internal control over financial reporting responsibilities and prioritization of corrective actions.
- Hired a Chief Accounting Officer and other key personnel with significant public-company financial reporting experience and the requisite skillsets in areas important to financial reporting.
- Developed and implemented a plan to enhance its risk assessment processes, control procedures and documentation.
- Reallocated additional Company resources to improve the oversight for certain financial models.
- Increased accounting resources with qualified permanent resources to ensure sufficient staffing to conduct enhanced financial reporting procedures and to continue the remediation efforts. Improved management documentation, review controls and oversight of accounting and financial reporting activities to ensure accounting practices conform to the Company’s policies and GAAP.
- Increased accounting participation in critical governance activities to ensure an adequate assessment of risk activities which may impact financial reporting or the related internal controls.
- Completed a comprehensive review and update of all accounting policies, process descriptions and control activities.
- Developed and implemented additional documentation, controls and governance for the credit loss allowance and accretion processes.
- Conducted internal training courses over Sarbanes-Oxley regulations and the Company’s internal control over financial reporting program for Company personnel that take part and assist in the execution of the program.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Disclosure Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the

desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to the Company's Proxy Statement for its 2020 Annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement for its 2020 Annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the Company's Proxy Statement for its 2020 Annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the Company's Proxy Statement for its 2020 Annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2019.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the Company's Proxy Statement for its 2020 Annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2019.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. The following Consolidated Financial Statements as set forth in Part II, Item 8 of this Annual Report on Form 10-K are filed herein:

Consolidated Financial Statements

Consolidated Balance Sheets
Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Equity
Consolidated Statements of Cash Flows

2. All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are omitted because the required information is either not applicable, not required or is shown in the respective financial statements or in the notes thereto.

3. See the Exhibit Index immediately following this page of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of January 15, 2014, by and between Santander Consumer USA Holdings Inc., Santander Consumer USA Inc. and SC Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Amendment No. 6 to Form S-1 filed January 17, 2014; File No. 333-189807)
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Amendment No. 6 to Form S-1 filed January 17, 2014; File No. 333-189807)
3.2	Third Amended and Restated Bylaws of Santander Consumer USA Holdings Inc. (incorporated by reference to Exhibit 3.1 to Registrant's Form 8-K filed May 27, 2015; File No. 001-36270)
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to Registrant's Amendment No. 4 to Form S-1 filed January 6, 2014; File No. 333-189807)
4.2*	Description of Santander Consumer USA Holdings Inc. Common Stock
4.3	Form of Shareholders Agreement, by and among Santander Consumer USA Holdings Inc., Santander Holdings USA, Inc., DDFS LLC, Thomas G. Dundon, Sponsor Auto Finance Holdings Series LP and Banco Santander, S.A. (incorporated by reference to Exhibit 4.2 to Registrant's Amendment No. 6 to Form S-1 filed January 17, 2014; File No. 333-189807)
4.4	First Amendment, dated May 20, 2015, to the Shareholders Agreement, by and among Santander Consumer USA Holdings Inc., Santander Holdings USA, Inc., DDFS LLC, Thomas G. Dundon, Sponsor Auto Finance Holdings Series LP and Banco Santander, S.A. (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed May 27, 2015; File No. 001-36270)
4.5	Second Amendment, dated August 31, 2016, to the Shareholders Agreement, by and among Santander Consumer USA Holdings Inc., Santander Holdings USA, Inc., DDFS LLC, Thomas G. Dundon, Sponsor Auto Finance Holdings Series LP and Banco Santander, S.A. (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed September 7, 2016; File No. 001-36270)
4.6	Third Amendment, dated August 31, 2016, to the Shareholders Agreement, dated as of January 28, 2014, by and among Santander Consumer USA Holdings Inc., Santander Holdings USA, Inc., DDFS LLC, Thomas G. Dundon, Sponsor Auto Finance Holdings Series LP, and, solely for the certain sections set forth therein, Banco Santander, S.A. 2017 (incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed September 7, 2016; File No. 001-36270)
4.7	Shareholders Agreement, dated as of December 31, 2011, between Santander Consumer USA Inc. and Rich Morrin (incorporated by reference to Exhibit 4.7 to Registrant's Amendment No. 1 to Form S-1 filed November 22, 2013; File No. 333-189807)#
4.8	Form of Shareholders Agreement between Santander Consumer USA Inc. and Management Equity Plan Participant (incorporated by reference to Exhibit 4.11 to Registrant's Amendment No. 3 to Form S-1 filed December 31, 2013; File No. 333-189807)#
4.9	Form of Amendment No. 1 to Shareholders Agreement, dated as of December 31, 2011, by and among Santander Consumer USA Inc., Santander Consumer USA Holdings Inc. and Management Equity Plan Participant (incorporated by reference to Exhibit 4.13 to Registrant's Amendment No. 6 to Form S-1 filed January 17, 2014; File No. 333-189807)#
10.1	Master Private Label Financing Agreement, dated as of February 6, 2013, by and between Santander Consumer USA Inc. and Chrysler Group LLC (certain identified information has been excluded from this exhibit because it has been granted confidential treatment by the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.10 to Registrant's Amendment No. 1 to Form S-1 filed November 22, 2013; File No. 333-189807) †

Exhibit Number	Description
10.2	Amendment to the Master Private Label Financing Agreement, dated June 28, 2019 (certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed) 2017 (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed July 1, 2019; File No. 001-36270)
10.3	Confidential Employment Agreement, dated August 24, 2011, by and between Santander Consumer USA Inc. and Richard Morrin (incorporated by reference to Exhibit 10.6 to Registrant's Form S-1 filed July 3, 2013; File No. 333-189807) #
10.4	Santander Consumer USA Inc. 2011 Management Equity Plan (incorporated by reference to Exhibit 10.8 to Registrant's Form S-1 filed July 3, 2013; File No. 333-189807)#
10.5	Amendment No. 1 to Santander Consumer USA Inc. 2011 Management Equity Plan (incorporated by reference to Exhibit 10.13 to Registrant's Amendment No. 5 to Form S-1 filed January 9, 2014; File No. 333-189807) #
10.6	Form of Non-Employee Independent Director Option Award Agreement under the Santander Consumer USA Holdings Inc. 2011 Management Equity Plan (incorporated by reference to Exhibit 10.17 to Registrant's Amendment No. 7 to Form S-1 filed January 22, 2014; File No. 333-189807)#
10.7	Santander Consumer USA Holdings Inc. Omnibus Incentive Plan, as amended and restated effective as of June 16, 2016 (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed June 17, 2016; File No. 001-36270)#
10.8	Form of Restricted Stock Unit Award Agreement under the Santander Consumer USA Holdings Inc. Omnibus Incentive Plan (incorporated by reference to Exhibit 10.20 to Registrant's Form 10-K filed March 2, 2015; File No. 001-36270)#
10.9	Form of Long-Term Cash Award Agreement under the Santander Consumer USA Holdings Inc. Omnibus Incentive Plan 2017 (incorporated by reference to Exhibit 10.21 to Registrant's Form 10-K filed March 2, 2015; File No. 001-36270)#
10.10	Form of Restricted Stock Unit Award Agreement (for Directors) under the Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to Registrant's Form 10-Q filed October 29, 2015; File No. 001-36270)#
10.11	Offer Letter, by and among Sandra Broderick and Santander Consumer USA Holdings Inc. and Santander Consumer USA Inc., dated September 20, 2017 (incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed October 2, 2017; File No. 001-36270)#
10.12	Amended Letter Agreement, dated October 23, 2019, by and between Santander Consumer USA Holdings Inc. and Sandra Broderick (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed October 28, 2019; File No. 001-36270)#
10.13	Offer Letter, by and among Juan Carlos Alvarez de Soto and Santander Consumer USA Holdings Inc. and Santander Consumer USA Inc., dated September 28, 2017 (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed October 2, 2017; File No. 001-36270)#
10.14	Offer Letter, by and among Reza Leaali and Santander Consumer USA Holdings Inc. and Santander Consumer USA Inc., dated January 24, 2018 (incorporated by reference to Exhibit 10.30 to Registrant's Form 10-K filed February 28, 2018; File No. 001-36270)#
10.15	Offer Letter, by and among Joshua Baer and Santander Consumer USA Holdings Inc. and Santander Consumer USA Inc., dated February 23, 2018 (incorporated by reference to Exhibit 10.1 to Registrant's Form 10-Q filed May 2, 2018; File No. 001-36270)#

Exhibit Number	Description
10.16	Letter Agreement, dated September 14, 2018, by and between Santander Holdings USA, Inc. and Scott Powell (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed September 20, 2018; File No. 001-36270)#
10.17	Form of Award Agreement under the Santander Consumer USA Holdings Inc. Omnibus Incentive Plan (incorporated by reference to Exhibit 10.23 to Registrant's Form 10-K filed February 26, 2019; File No. 001-36270)#
10.18	Offer letter, dated July 23, 2019, by and among Fahmi Karam and Santander Consumer USA Holdings Inc. and Santander Consumer USA Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed July 24, 2019; File No. 001-36270)#
10.19	Post-Employment Agreement, effective December 9, 2019, executed by Scott Powell in favor of Santander Holdings USA, Inc. and the Santander Consumer USA Holdings Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed December 12, 2019; File No. 001-36270)#
10.20	Offer Letter, dated February 11, 2020, by and between Santander Consumer USA Inc. and Mahesh C. Aditya (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed February 18, 2020; File No. 001-36270)#
21.1*	Subsidiaries of Santander Consumer USA Holdings Inc.
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Chief Executive Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document — this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

\# Indicates management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Santander Consumer USA Holdings Inc.
(Registrant)

By: /s/ Mahesh Aditya
Name: Mahesh Aditya
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Mahesh Aditya Mahesh Aditya	President, Chief Executive Officer & Director (Principal Executive Officer)	February 27, 2020
/s/ Fahmi Karam Fahmi Karam	Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2020
/s/ William Rainer William Rainer	Chairman of the Board	February 27, 2020
/s/ Stephen A. Ferriss Stephen A. Ferriss	Vice Chairman of the Board	February 27, 2020
/s/ Edith E. Holiday Edith E. Holiday	Director	February 27, 2020
/s/ Homaira Akbari Homaira Akbari	Director	February 27, 2020
/s/ Javier Maldonado Javier Maldonado	Director	February 27, 2020
/s/ Juan Carlos Alvarez de Soto Juan Carlos Alvarez de Soto	Director	February 27, 2020
/s/ Robert J. McCarthy Robert J. McCarthy	Director	February 27, 2020
/s/ Victor Hill Victor Hill	Director	February 27, 2020
/s/ William F. Muir William F. Muir	Director	February 27, 2020

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