Santander Consumer USA Holdings Inc.
Form S-1/A
January 17, 2014
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As filed with the Securities and Exchange Commission on January 17, 2014

Registration No. 333-189807

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 6

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SANTANDER CONSUMER USA HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**6141**	**32-0414408**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

8585 North Stemmons Freeway Suite 1100-N

Dallas, Texas 75247

(214) 634-1110

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

Jason Kulas

President and Chief Financial Officer

8585 North Stemmons Freeway, Suite 1100-N

Dallas, Texas 75247

(214) 634-1110

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Richard K. Kim, Esq.	**Jeffrey D. Karpf, Esq.**
Benjamin M. Roth, Esq.	**Cleary Gottlieb Steen & Hamilton LLP**
Mark F. Veblen, Esq.	**One Liberty Plaza**
Wachtell, Lipton, Rosen & Katz	**New York, New York 10006**
51 West 52nd Street	**Telephone: (212) 225-2000**
New York, New York 10019	**Facsimile: (212) 225-3999**
Telephone: (212) 403-1000	
Facsimile: (212) 403-2000	

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

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

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

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Subject to Completion, Dated January 17, 2014.

PROSPECTUS

65,217,391 Shares

Santander Consumer USA Holdings Inc.

Common Stock

This is the initial public offering of our common stock. The selling stockholders named in this prospectus are selling 65,217,391 shares of our common stock. We are not selling any shares of our common stock under this prospectus and will not receive any proceeds from the sale of the shares by the selling stockholders. We currently expect the initial public offering price to be between $22.00 and $24.00 per share of common stock.

Some of the selling stockholders have granted the underwriters an option to purchase up to 9,782,608 additional shares of common stock.

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

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

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

	Per Share	Total
Public offering price		
Underwriting discounts[(1)]		
Proceeds, to the selling stockholders (before expenses)		

(1) See Underwriting.

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

Global Coordinators and Joint Book-Running Managers

Citigroup **J.P. Morgan**

Joint Book-Running Managers

BofA Merrill Lynch **Deutsche Bank Securities** **Santander**

Barclays **Goldman, Sachs & Co.** **Morgan Stanley** **RBC Capital Markets**

BMO Capital Markets **Credit Suisse** **UBS Investment Bank** **Wells Fargo Securities**

Co-Managers

KKR **Sandler O Neill + Partners, L.P.** **Stephens Inc.** **LOYAL3 Securities**

Prospectus dated , 2014

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

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Unless otherwise indicated, the information presented in this prospectus assumes (i) an initial public offering price of $23.00 per share, which represents the midpoint of the range set forth on the cover page of this prospectus, and (ii) that the underwriters over-allotment option is not exercised.

Santander Consumer USA Holdings Inc. is a newly-formed Delaware corporation that has not, to date, conducted any activities other than those incident to its formation, the preparation of this registration statement and the reorganization transactions described in the section entitled Reorganization. Unless we state otherwise or the context otherwise requires, references in this prospectus to SCUSA, we, our, us, and the Company for all periods after the reorganization transactions described in the section entitled Reorganization (which were completed on January 16, 2014 in connection with this offering) refer to Santander Consumer USA Holdings Inc. and its consolidated subsidiaries after giving effect to such reorganization transactions. For all periods before the completion of such reorganization transactions, these terms refer to Santander Consumer USA Inc., an Illinois corporation, and its predecessors and their respective consolidated subsidiaries.

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About this Prospectus

Market Data

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

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

Glossary of Selected Terms

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

Advance Rate

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

Clean-Up Call

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

Credit/Warehouse Facility (Line of Credit)

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

Credit Enhancement

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

Dealer Loans

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

FICO®

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

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

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

Floorplan Lines of Credit

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

Impairment Reserves

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

Loans That We Acquired and/or Convert

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

Loans That We Originate

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

Nonaccretable Difference

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

Non-captive Vehicle Lender

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

Off-Lease

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

Origination Channels

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

Overcollateralization

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

Perfected Security Interest

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

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Private-Label Loans/Leases

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

Remarketing

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

Residual Values

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

Subordinate Financing

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

Subvention Program

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

SUMMARY

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

Background

Overview

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

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

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

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

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

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

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

Our Markets

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

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

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

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

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Our Strengths

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

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

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

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

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

Experienced Management Team. Our management team has ably steered the company through economic expansions as well as downturns, as evidenced by our strong financial performance in 2008 and 2009. Thomas G. Dundon, our Chief Executive Officer and one of our founders, has approximately 20 years of experience in the consumer finance industry. In addition, Jason Kulas, our President and Chief Financial Officer, has approximately 18 years of experience in the financial services industry and seven years of experience as our Chief Financial Officer. Further, our senior management team has an average of over 16 years of experience across the financial services and consumer industries. Our management will also hold meaningful stakes in the company after giving effect to the offering. Mr. Dundon will own approximately 10.46% of our outstanding common stock as well as options to purchase an additional 3.29%, and the remainder of our senior management team in aggregate will own approximately 0.10% of our common stock and options to purchase an additional 0.82%.

Our Business Strategy

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

Expand Our Vehicle Finance Franchise

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

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

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

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

Continue to Grow Our Unsecured Consumer Lending Platform

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

Risks Associated with Our Business and Growth Strategy

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

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

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

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

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

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

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

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

Reorganization

In July 2013, Santander Consumer USA Inc., an Illinois corporation (SCUSA Illinois), formed Santander Consumer USA Holdings Inc., a Delaware corporation (SCUSA Delaware), and SCUSA Merger Sub Inc., an Illinois corporation and a wholly owned subsidiary of SCUSA Delaware (SCUSA Merger Sub). On January 16, 2014, pursuant to an Agreement and Plan of Merger by and among SCUSA Illinois, SCUSA Delaware and SCUSA Merger Sub, SCUSA Merger Sub merged with and into SCUSA Illinois, with SCUSA Illinois surviving the merger as a wholly owned subsidiary of SCUSA Delaware, the registrant. In the merger, all of the outstanding shares of common stock of SCUSA Illinois were exchanged for shares of SCUSA Delaware common stock on a 2.6665 for 1.00 basis. We refer to these transactions as the Reorganization. Both SCUSA Delaware and SCUSA Merger Sub were formed solely for the purpose of effecting this offering and the Reorganization. Neither SCUSA Delaware nor SCUSA Merger Sub has engaged in any business or other activities except in connection with their respective formations and effecting this offering and the Reorganization, and prior to the Reorganization, except for SCUSA Delaware holding the common stock of SCUSA Merger Sub, neither held any assets and, except for SCUSA Merger Sub being a wholly owned subsidiary of SCUSA Delaware, neither had any subsidiaries.

Principal Stockholders

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

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SHUSA is a bank holding company with total assets of $77 billion as of September 30, 2013. SHUSA s primary assets include our common stock and all of the stock of SBNA, whose primary business consists of attracting deposits from its network of over 700 retail branches and originating small business loans, middle market commercial loans, multi-family loans, residential mortgage loans, home equity loans and lines of credit, and vehicle and other consumer loans in the communities served by its branches.

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

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

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

Our management will also hold meaningful stakes in the company after giving effect to the offering. Mr. Dundon will own approximately 10.46% of our common stock as well as options to purchase an additional 3.29%, and the remainder of our senior management team in aggregate will own approximately 0.10% of our common stock and options to purchase an additional 0.82%. See Certain Relationships and Related Party Transactions and Security Ownership of Certain Beneficial Owners, Management and Selling Stockholders and the documents referred to herein for more information with respect to our relationship with our Principal Stockholders.

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

Additional Information

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

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The Offering

Issuer	Santander Consumer USA Holdings Inc.
Common stock offered by the selling stockholders	65,217,391 shares of common stock.
Underwriters over-allotment option to purchase additional shares	9,782,608 shares of common stock from the selling stockholders.
Common stock to be outstanding immediately after this offering	347,363,230 shares of common stock.(1)
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.
Voting rights	One vote per share.
Dividend policy	It has been our policy to pay a dividend to all common stockholders. Following the completion of this offering, we currently intend to pay dividends on a quarterly basis at an initial amount of approximately $0.15 per share. Our board of directors may also change or eliminate the payment of future dividends at its discretion, without prior notice to our stockholders, and our dividend policy and practice may change at any time and from time to time in the future. Any future determination to pay dividends to our stockholders will be dependent upon our financial condition, results of operations, capital requirements, government regulations, and any other factors that our board of directors may deem relevant at such time and from time to time. For information regarding our recent dividends, see Dividend Policy.
Listing	We have applied to list our common stock on the New York Stock Exchange (which we refer to as NYSE) under the trading symbol SC.
Risk factors	Please read the section entitled Risk Factors beginning on page 13 for a discussion of some of the factors you should consider before buying our common stock.

(1) Based on 347,363,230 shares of common stock issued and outstanding as of January 17, 2014, after giving effect to the Reorganization. As of January 17, 2014, there were nineteen holders of our common stock. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding does not include an aggregate of up to 24,944,044 shares of common stock comprised of:

23,907,684 shares of common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of $10.51 per share, of which 17,292,089 shares were vested as of January 17, 2014; and

1,036,360 shares of common stock reserved for issuance under our 2011 Management Equity Plan.

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Directed Share Program	At our request, the underwriters have reserved up to 3% of the shares of common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. See Underwriting.
LOYAL3 Platform	At our request, the underwriters have reserved up to 2% of the shares of common stock offered by this prospectus to be offered through the LOYAL3 platform at the initial public offering price. See Underwriting.
Conflict of Interest	Because Santander Investment Securities Inc. and KKR Capital Markets LLC, underwriters for this offering, are under common control with us and certain of the selling stockholders and because affiliates of each of these underwriters will receive at least 5% of the proceeds of this offering, a conflict of interest under Financial Industry Regulatory Authority (FINRA) Rule 5121 is deemed to exist. Accordingly, this offering will be conducted in accordance with that rule. See Underwriting Conflict of Interest.

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Summary Historical Consolidated Financial Data

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

	Three Months Ended		Nine Months Ended				Year Ended		
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	(Dollar amounts in thousands, except per share data)								
Income Statement Data									
Income from individually acquired retail installment contracts	$ 879,628	$ 580,360	$ 2,333,857	$ 1,600,054	$ 2,223,833	$ 1,695,538	$ 1,308,728	$ 1,281,515	$ 1,396,610
Income from purchased receivables portfolios	87,237	161,753	327,712	545,819	704,770	870,257	734,634	218,240	105,229
Other financing income	44,627	2,845	62,205	7,416	19,899	28,718	33,216	10,485	5,333
Interest and fees on finance receivables and loans	1,011,492	744,958	2,723,774	2,153,289	2,948,502	2,594,513	2,076,578	1,510,240	1,507,172
Interest expense	120,589	98,774	291,062	293,238	374,027	418,526	316,486	235,031	256,356
Net other finance and interest income	9,643	2,950	17,486	9,423					
Net interest margin	900,546	649,134	2,450,198	1,869,474	2,574,475	2,175,987	1,760,092	1,275,209	1,250,816
Provision for loan losses on individually acquired retail installment contracts	447,565	243,698	1,074,487	683,000	1,119,074	741,559	750,625	720,938	823,024
Incremental increase (decrease) in allowance related to purchased receivables portfolios	93,718	(57,823)	51,654	(22,798)	3,378	77,662	137,600		
Other provisions for loan losses	56,918		97,664						
Provision for loan losses	598,201	185,875	1,223,805	660,202	1,122,452	819,221	888,225	720,938	823,024

Profit sharing	27,238		34,802						
Other income	78,340	74,291	208,878	238,890	295,689	452,529	249,028	48,096	43,120
Costs and expenses	176,140	183,730	496,312	464,192	559,163	557,083	404,840	249,012	209,315
Income tax expense	65,486	141,261	322,413	372,266	453,615	464,034	277,944	143,834	87,472
Net income	111,821	212,559	581,744	611,704	734,934	788,178	438,111	209,521	174,125
Net income attributable to Santander Consumer USA Holdings Inc shareholders	111,245	168,467	583,565	595,846	715,003	768,197	438,111	209,521	174,125
Share Data									
Weighted-average common shares outstanding									
Basic	346,172,443	346,164,717	346,169,595	346,164,717	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739
Diluted	346,172,443	346,164,717	346,169,595	346,164,717	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739
Earnings per share attributable to Santander Consumer USA Holdings Inc shareholders									
Basic	$ 0.32	$ 0.49	$ 1.69	$ 1.72	$ 2.07	$ 3.12	$ 1.78	$ 0.85	$ 0.71
Diluted	$ 0.32	$ 0.49	$ 1.69	$ 1.72	$ 2.07	$ 3.12	$ 1.78	$ 0.85	$ 0.71

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	Three Months Ended		Nine Months Ended				Year Ended		
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	(Dollar amounts in thousands, except per share data)								
Net tangible book value per common share at period end									
Excluding other comprehensive income (loss)	$ 7.07		$ 7.07		$ 6.01	$ 6.07	$ 2.61	$ 2.39	$ 1.68
Including other comprehensive income (loss)	$ 7.05		$ 7.05		$ 5.99	$ 6.04	$ 2.61	$ 2.34	$ 1.52
Dividends declared per share of common stock									
Basic	$	$ 0.42	$ 0.84	$ 1.37	$ 2.12	$ 1.89	$ 1.63		
Diluted	$	$ 0.42	$ 0.84	$ 1.37	$ 2.12	$ 1.89	$ 1.63		
Balance Sheet Data (1)									
Finance receivables and loans	$ 21,238,684		$ 21,238,684		$ 16,265,820	$ 16,715,703	$ 15,032,046	$ 7,466,267	$ 5,600,102
Goodwill and intangible assets	128,573		128,573		126,700	125,427	126,767	142,198	105,643
Total assets	25,608,280		25,608,280		18,741,644	19,404,371	16,773,021	8,556,177	6,044,454
Total borrowings	22,683,397		22,683,397		16,227,995	16,790,518	15,065,635	7,525,930	5,432,338
Total liabilities	23,039,122		23,039,122		16,502,178	17,167,686	16,005,404	7,838,862	5,564,986
Total equity	2,569,158		2,569,158		2,239,466	2,236,685	767,617	717,315	479,468
Allowance for loan losses	2,355,087		2,355,087		1,774,002	1,208,475	840,599	384,396	347,302
Other Information									
Charge-offs, net of recoveries	$ 371,396	$ 272,692	$ 772,187	$ 710,002	$ 1,008,454	$ 1,025,133	$ 709,367	$ 683,844	$ 679,172
End of period Delinquent principal over 60 days	969,886		969,886		865,917	767,838	579,627	502,254	477,141
End of period Gross finance receivables and loans	24,201,063		24,201,063		18,655,497	18,754,938	16,843,774	8,309,153	6,360,982
Average gross individually acquired retail installment contracts	19,790,033	12,704,563	17,180,908	11,527,698	12,082,026	8,843,036	6,631,231	5,690,833	5,396,355
Average gross purchased receivables portfolios	2,676,906	5,706,495	3,325,260	6,798,200	6,309,497	7,270,080	4,978,727	975,080	320,903
Average Gross finance receivables and loans	23,246,772	18,539,064	21,396,754	18,454,847	18,501,710	16,282,215	12,111,969	7,266,079	5,728,599
Average Total assets	24,352,346	18,530,771	21,514,270	18,300,123	18,411,012	16,067,623	11,984,997	6,930,260	5,520,652
Average Debt	21,451,420	15,781,659	18,681,703	15,528,709	15,677,522	14,557,370	10,672,331	6,083,953	4,989,280
Average Total equity	2,525,997	2,365,722	2,453,782	2,334,008	2,312,781	916,219	850,219	594,097	406,680

Ratios (2)									
Yield on individually acquired retail installment contracts	17.8%	18.3%	18.1%	18.5%	18.4%	19.2%	19.7%	22.5%	25.9%
Yield on purchased receivables portfolios	13.0	11.3	13.1	10.7	11.2	12.0	14.8	22.4	32.8
Yield on interest-earning assets	17.4	16.1	17.0	15.6	15.9	15.9	17.1	20.8	26.3
Cost of interest-bearing liabilities	2.2	2.5	2.1	2.5	2.4	2.9	3.0	3.9	5.1
Efficiency ratio	18.0	25.4	18.7	22.0	19.5	21.2	20.2	18.8	16.2
Return on average assets	1.8	4.6	3.6	4.5	4.0	4.9	3.7	3.0	3.2
Return on average equity	17.7	35.9	31.6	34.9	31.8	86.0	51.5	35.3	42.8
Net chargeoff ratio	6.4	5.9	4.6	5.1	5.5	6.3	5.9	9.4	11.9
Delinquency ratio	4.0		4.0		4.6	4.1	3.4	6.0	7.5
Tangible common equity to tangible assets	9.6		9.6		11.3	11.0	3.8	6.8	6.3
Common stock dividend payout ratio	0.0	86.3	49.8	80.0	102.8	60.6	91.3	0.0	0.0

(1) Balance sheet data as of September 30, 2012 has been excluded.

(2) Yield on interest-earning assets is defined as the ratio of Interest and fees on finance receivables and loans to Average gross finance receivables and loans.

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risks Relating to Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Santander, through SHUSA, owns 224,890,292 shares (approximately 65%) of our common stock. We rely on our relationship with Santander, through SHUSA, for several competitive advantages including relationships with OEMs and regulatory best practices. Santander also provides us with significant funding support, through both committed liquidity and opportunistic extensions of credit. During the recent financial downturn, Santander and its affiliates provided us with over $6 billion in financing that enabled us to pursue several acquisitions and/or conversions of vehicle loan portfolios at a time when most major banks were curtailing or eliminating their commercial lending activities. If, after this offering, Santander or SHUSA elects not to provide such support or provide it to the same degree, we may not be able to replace such support ourselves or to obtain substitute arrangements with third parties. We may be unable to obtain such support because of financial or other constraints or be unable to implement substitute arrangements on a timely basis on terms that are comparable, or at all, which could adversely affect our operations.

Furthermore, subject to certain limitations in a shareholders agreement to be entered into among SCUSA, the Principal Stockholders, and Mr. Dundon in connection with consummation of this offering (the Shareholders Agreement), which will replace the existing shareholders agreement among these parties, Santander is permitted to sell its interest in us. If Santander reduces its equity interest in us, it may be less willing to provide us with the support it has provided in the past. In addition, our right to use the Santander name is on the basis of a non-exclusive, royalty-free, and non-transferable license from Santander, and further only extends to uses in connection with our current and future operations within the United States. Santander may terminate such license at any time Santander ceases to own, directly or indirectly, 50% or more of our common stock. If we were required to change our name, we would incur the administrative costs and time associated with revising legal documents and marketing materials, and also may experience loss of brand and loss of business or loss of funding due to consumers and banks relative lack of familiarity with our new name. Additionally, Chrysler may terminate the Chrysler Agreement if a person other than Santander and its affiliates or our other stockholders owns 20% or more of our common stock and Santander and its affiliates own fewer shares of common stock than such person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- incur or guarantee additional indebtedness;
- purchase large loan portfolios in bulk;
- pay dividends or make distributions on our capital stock or make certain other restricted payments;
- sell assets, including our loan portfolio or the capital stock of our subsidiaries;

- enter into transactions without affiliates;
- create or incur liens; and
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets.

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

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

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

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

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

Competition with other lenders could adversely affect us.

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

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

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

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

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

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

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

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

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

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

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

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

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure online transmission of confidential consumer information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive consumer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against such security breaches or cyber attacks or to alleviate problems caused by such breaches or attacks. Our security measures are designed to protect against security breaches and cyber attacks, but our failure to prevent such security breaches and cyber attacks, whether due to an external cyber-security incident, a programming error, or other cause, could damage our reputation, expose us to mitigation costs and the risks of private litigation and government enforcement, disrupt our business, or otherwise have a material adverse effect on our sales and results of operations.

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

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

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

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

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

We have not been required in the past to comply with Securities and Exchange Commission (SEC) requirements to file periodic reports with the SEC. As a publicly traded company following completion of this offering, we will be required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. As a public company, we will also incur significant legal, accounting, insurance, and other expenses. Compliance with these reporting requirements and other rules of the SEC and the rules of the NYSE will increase our legal and financial compliance costs and make some activities more time consuming and costly. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management s attention from implementing our growth strategy, which could prevent us from successfully implementing our strategic initiatives and improving our business, results of operations, and financial condition. Among other things, we will be required to: prepare and distribute periodic reports and other stockholder communications in compliance with our obligations under the federal securities laws and applicable stock exchange rules; appoint new independent members to our board of directors and committees; create or expand the roles and duties of our board of directors and committees of the board; institute more comprehensive compliance and internal audit functions; evaluate and maintain our system of internal control over financial reporting, and report on management s assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley

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

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

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

Regulatory Risks

In addition to the Risk Factors below, please also refer to the section of this prospectus entitled Business Supervision and Regulation for more information on the regulatory regimes to which we are subject.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Because our largest shareholder is a bank holding company and because we provide third-party services to banks, we are subject to certain banking regulations, including oversight by the Federal Reserve, the Office of the Comptroller of the Currency, and the Bank of Spain. Such banking regulations could limit the activities and the types of businesses that we may conduct. The Federal Reserve has broad enforcement authority over bank holding companies and their subsidiaries. The Federal Reserve could exercise its power to restrict SHUSA from having a non-bank subsidiary that is engaged in any activity that, in the Federal Reserve s opinion, is unauthorized or constitutes an unsafe or unsound business practice, and could exercise its power to restrict us from engaging in any such activity. The Federal Reserve may also impose substantial fines and other penalties for violations that we may commit. Additionally, the Federal Reserve has the authority to approve or disallow acquisitions we may contemplate, which may limit our future growth plans. To the extent that we are subject to banking regulation, we could be at a competitive disadvantage because some of our competitors are not subject to these limitations.

Risks Related to Our Common Stock

You will incur immediate dilution as a result of this offering.

If you purchase our common stock in this offering, you will pay more for your shares than the pro forma net tangible book value of your shares. As a result, you will incur immediate dilution of $15.95 per share, assuming an initial offering price of $23.00 per share, the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses, and based on our net tangible book value per share of $7.05 as of September 30, 2013 after giving effect to the Reorganization, representing the difference between such assumed offering price and our net tangible book value per share. Accordingly, if we are liquidated at our book value, you would not receive the full amount of your investment. If Chrysler elects to exercise its option to purchase an equity participation in the Chrysler Capital portion of our business through an equity interest directly in SCUSA, its new interest could dilute the interests of the then-existing shareholders. See Dilution and Business Our Relationship with Chrysler.

There is currently no market for our common stock and a market for our common stock may not develop, which could adversely affect the liquidity and price of our common stock.

Before this offering, there has been no established public market for our common stock. An active, liquid trading market for our common stock may not develop or be sustained following this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. An inactive market may also impair our ability to raise capital by selling our common stock and may impair our ability to acquire other companies, products or technologies by using our common stock as consideration. We have applied to have our common stock listed on the NYSE, but our application may not be approved. In addition, the liquidity of any market that may develop or the price that our stockholders may obtain for their shares of common stock cannot be predicted. The initial public offering price for our common stock will be determined by negotiations between us, the selling stockholders, and the representative of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See Underwriting. Consequently, you may not be able to sell your common stock at or above the initial public offering price or at any other price or at the time that you would like to sell.

The market price of our common stock could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market following this offering or in future offerings, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future, at a time and price that we deem appropriate.

Upon completion of this offering and the Reorganization, we will have 347,363,230 shares of common stock. Of the outstanding shares of common stock, all of the 65,217,391 shares sold in this offering, other than any shares that may be purchased in this offering by a holder that is subject to an agreement, will be freely tradable, except that any shares purchased by affiliates (as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the Securities Act)), may only be sold in compliance with the limitations described in the section of this prospectus entitled Shares Eligible for Future Sale. Taking into consideration the effect of the lock-up agreements described below and the provisions of Rule 144 under the Securities Act, the remaining shares of our common stock may be eligible for resale in the public market under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144.

We, our Principal Stockholders, our directors and certain of our officers have agreed to customary lock-up agreements with the underwriters in connection with this offering. See Underwriting. Upon the completion of this offering, SHUSA will agree with Auto Finance Holdings to not sell or otherwise dispose of any shares of our common stock owned by SHUSA (other than to certain permitted transferees) for a period of twelve months following the completion of the offering. Shareholder agreements that we have entered into with certain of our officers in connection with the Equity Transaction and certain of our employees (Management Shareholder Agreements) also provide that these officers and employees may not sell or otherwise dispose of our common stock for customary periods before and after an underwritten offering of shares of our common stock. See Certain Relationships and Related Party Transactions 2011 Investment. An aggregate of 282,145,839 shares of our common stock, after giving effect to the Reorganization, are subject to these lock-up arrangements. In addition, the Management Shareholder Agreements provide for certain repurchase rights and restrictions, including that shares acquired in the Equity Transaction may not be transferred until December 31, 2016 and that certain shares acquired through the exercise of stock options may not be transferred for certain periods.

In addition, we intend to file a registration statement on Form S-8 under the Securities Act to register an aggregate of approximately 29,800,986 shares of common stock, after giving effect to the Reorganization, for issuance under our 2011 Management Equity Plan. Any shares issued in connection with acquisitions, the exercise of stock options, or otherwise would dilute the percentage ownership held by investors who purchase our shares in this offering. See Shares Eligible for Future Sale.

Substantially all of the shares of common stock existing prior to this offering are subject to registration rights pursuant to the Shareholders Agreement. In addition, we have granted certain of our officers and employees piggyback registration rights in the Management Shareholder Agreements pursuant to which they may require us to include their shares in future offerings that involve, in whole or in part, a secondary offering of our shares, provided that Auto Finance Holdings is selling shares in such offering. See Certain Relationships and Related Party Transactions Shareholders Agreement Registration Rights and Certain Relationships and Related Party Transactions 2011 Investment.

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

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

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

additions or departures of key personnel.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect

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

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

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws that will be effective upon completion of this offering 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 will include provisions that:

- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- fix the number of directors and provide that the number of directors may only be changed by an amendment to our bylaws;
- limit the ability of our stockholders to nominate candidates for election to our board of directors;
- authorize the issuance of blank check preferred stock without any need for action by stockholders;
- limit the ability of stockholders to call special meetings of stockholders or to act by written consent in lieu of a meeting; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that may be acted on by stockholders at stockholder meetings.

The foregoing factors, as well as the significant common stock ownership by our Principal Stockholders, 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. See Description of Capital Stock.

In addition, Section 203 of the Delaware General Corporation Law (the DGCL), generally affects the ability of an interested stockholder to engage in certain business combinations, including mergers, consolidations, or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an interested stockholder. An interested stockholder is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation. We currently intend to elect 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 will contain 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 and Auto Finance Holdings and its successors and affiliates and certain of its direct transferees will not be deemed to be interested stockholders, and, accordingly will not be subject to such restrictions, as long as it and its affiliates own at least 10% of our outstanding shares of common stock.

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

Shares of our common stock are common equity interests in us and, as such, will rank junior to all of our existing and future indebtedness and other liabilities. Additionally, holders of our common stock may become subject to the prior dividend and liquidation rights of holders of any classes or series of preferred stock that our

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board of directors may designate and issue without any action on the part of the holders of our common stock. Furthermore, our right to participate in a distribution of assets upon any of our subsidiaries liquidation or reorganization is subject to the prior claims of that subsidiary s creditors and preferred stockholders.

Our Principal Stockholders will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our Principal Stockholders exert, and after this offering will continue to exert, significant influence over us, including pursuant to the terms of the Shareholders Agreement. As set forth under Security Ownership of Certain Beneficial Owners, Management and Selling Stockholders, the Principal Stockholders will continue to own approximately 81.00% of our common stock after the completion of this offering, assuming the underwriters do not exercise any of their over-allotment option to purchase additional shares. If the underwriters exercise in full their option to purchase additional shares, the Principal Stockholders will own approximately 78.19% of our common stock. Pursuant to the Shareholders Agreement, the Principal Stockholders will have the right to nominate all of our directors from and after this offering, provided certain minimum share ownership thresholds are maintained. See Certain Relationships and Related Party Transactions Shareholders Agreement. Through our board of directors, our Principal Stockholders will control our policies and operations, including, among other things, the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence of debt by us, and the entering into of extraordinary transactions.

In addition, the Shareholders Agreement provides our Principal Stockholders with approval rights in their capacity as stockholders over certain specific actions taken by SCUSA, provided certain minimum share ownership thresholds are maintained. These actions include, among other things, mergers and sales of all or substantially all of our assets. The Principal Stockholders may have interests that do not align with the interests of our other stockholders, including with regard to pursuing acquisitions, divestitures, and other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our other stockholders. For example, our Principal Stockholders could cause us to make acquisitions that increase our indebtedness or to sell revenue-generating assets. The Principal Stockholders will have effective control over our decisions to enter into such corporate transactions regardless of whether others believe that the transaction is in our best interests. Such control may have the effect of delaying, preventing, or deterring a change of control of SCUSA, could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of SCUSA, and might ultimately affect the market price of our common stock. See Certain Relationships and Related Party Transactions Shareholders Agreement and Description of Capital Stock.

Certain of our Principal Stockholders or their respective investors are also in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Certain of our Principal Stockholders or their respective investors may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. None of our Principal Stockholders nor any of their affiliates will be obligated to present any particular investment or business opportunity to us, even if such opportunity is of a character that could be pursued by us, and may pursue it for their own account or recommend to any other person any such investment opportunity. See Description of our Capital Stock Renunciation of Corporate Opportunities.

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

After completion of this offering, the Principal Stockholders will continue to own a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards. Under these rules, a company of which more than 50% of the voting power is

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held by an individual, group, or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, could, may, predicts, potential, should, will, estimat continuing, ongoing, expects, intends, and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions, and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described under the caption Risk Factors and elsewhere in this prospectus, including the exhibits hereto.

Any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. The inclusion of this forward-looking information should not be regarded as a representation by us, the selling stockholders, the underwriters, or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance, or achievements expressed or implied by the forward-looking statements, including, but not limited to, statements regarding (i) our asset growth and sources of funding; (ii) our expansion into different consumer segments; (iii) our financing plans; (iv) the impact of regulations on us; (v) our exposure to market risks, including interest rate risk and equity price risk; (vi) our exposure to credit risks, including credit default risk and settlement risk; (vii) our competition; (viii) our projected capital expenditures; (ix) our capitalization requirements and level of reserves; (x) our liquidity; (xi) trends affecting the economy generally; (xii) and trends affecting our financial condition and our results of operations. Examples of these important factors, in addition to those discussed elsewhere in this prospectus, that could cause our actual results to differ substantially from those anticipated in our forward-looking statements, include, among others:

- adverse economic conditions in the United States and worldwide may negatively impact our results;
- our business could suffer if our access to funding is reduced;
- we face significant risks implementing our growth strategy, some of which are outside our control;
- our recent agreement with Chrysler may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement;
- our business could suffer if we are unsuccessful in developing and maintaining relationships with automobile dealerships;
- our financial condition, liquidity, and results of operations depend on the credit performance of our loans;
- loss of our key management or other personnel, or an inability to attract such management and personnel, could negatively impact our business;
- future changes in our relationship with Santander could adversely affect our operations; and
- we operate in a highly regulated industry and continually changing federal, state, and local laws and regulations could materially adversely affect our business.

All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements which should be read in conjunction with the other cautionary statements that are included elsewhere in this prospectus. In particular, you should consider the numerous risks described in the Risk Factors section of this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of common stock by our selling stockholders.

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REORGANIZATION

In July 2013, Santander Consumer USA Inc., an Illinois corporation (SCUSA Illinois), formed Santander Consumer USA Holdings Inc., a Delaware corporation (SCUSA Delaware), and SCUSA Merger Sub Inc., an Illinois corporation and a wholly owned subsidiary of SCUSA Delaware (SCUSA Merger Sub). On January 16, 2014, pursuant to an Agreement and Plan of Merger by and among SCUSA Illinois, SCUSA Delaware and SCUSA Merger Sub, SCUSA Merger Sub merged with and into SCUSA Illinois, with SCUSA Illinois surviving the merger as a wholly owned subsidiary of SCUSA Delaware, the registrant. In the merger, all of the outstanding shares of common stock of SCUSA Illinois were exchanged for shares of SCUSA Delaware common stock on a 2.6665 for 1.00 basis. We refer to these transactions as the Reorganization. Both SCUSA Delaware and SCUSA Merger Sub were formed solely for the purpose of effecting this offering and the Reorganization. Neither SCUSA Delaware nor SCUSA Merger Sub has engaged in any business or other activities except in connection with their respective formations and effecting this offering and the Reorganization, and prior to the Reorganization, except for SCUSA Delaware holding the common stock of SCUSA Merger Sub, neither held any assets and, except for SCUSA Merger Sub being a wholly owned subsidiary of SCUSA Delaware, neither had any subsidiaries.

The Reorganization has not resulted in any change of the business, management, jobs, fiscal year, assets, liabilities, or location of the principal facilities of SCUSA Illinois.

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DIVIDEND POLICY

It has been our policy in recent years to pay a dividend to all common stockholders. Following the completion of this offering, we currently intend to pay dividends on a quarterly basis at an initial amount of approximately $0.15 per share. Our board of directors may also change or eliminate the payment of future dividends at its discretion, without prior notice to our stockholders, and our dividend policy and practice may change at any time and from time to time in the future. Any future determination to pay dividends to our stockholders will be dependent upon our financial condition, results of operation, capital needs, government regulations, and any other factors that our board of directors may deem relevant at such time and from time to time.

Our recent dividends have been as follows:

Dividend Declared	Declared on Earnings for	Dividend Amount	Outstanding Shares on Date of Record Actual	Outstanding Shares on Date of Record (Adjusted for Reorganization)	Dividend per Share Actual	Dividend per Share (Adjusted for Reorganization)
December 2010	2010	$ 400,000,000	92,173,913	245,781,739	$ 4.34	1.63
March 2011	2010	247,632,000	92,173,913	245,781,739	2.69	1.01
April 2011	2011	217,681,200	92,173,913	245,781,739	2.36	0.89
April 2012	2011	243,643,727	129,819,883	346,164,717	1.88	0.70
April 2012	2012	86,356,273	129,819,883	346,164,717	0.67	0.25
September 2012	2012	145,000,000	129,819,883	346,164,717	1.12	0.42
October 2012	2012	200,000,000	129,819,883	346,164,717	1.54	0.58
December 2012	2012	60,000,000	129,819,883	346,164,717	0.46	0.17
April 2013	2013	290,401,495	129,821,447	346,168,889	2.24	0.84

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2013 on a historical basis.

Amounts included in this table are derived from unaudited financial statements included elsewhere in this registration statement. This table should be read in conjunction with Selected Historical Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	At September 30, 2013 (Dollars in thousands, except per share data)
Cash and cash equivalents	$ 27,351
Liabilities:	
Notes payable credit facilities	7,407,526
Notes payable secured structured financings	15,275,871
Equity:	
Common stock, $0.01 par value: 1,100,000,000 shares authorized, 346,176,216 shares issued, 346,173,061 shares outstanding (1)	3,462
Additional paid-in capital	1,409,463
Accumulated other comprehensive loss	(6,595)
Retained earnings	1,162,828
Total equity	2,569,158
Total capitalization	$ 25,252,555

(1) Excludes all shares reserved for issuance under our 2011 Management Equity Plan.

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DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of common stock is substantially in excess of the net tangible book value per share of our common stock attributable to existing stockholders for our presently outstanding shares of common stock. As of September 30, 2013, net tangible book value attributable to our stockholders was $2,440,585,000, or $7.05 per share of common stock based on 346,173,061 shares of common stock issued and outstanding after giving effect to the Reorganization. Net tangible book value per share equals total consolidated tangible assets minus total consolidated liabilities divided by the number of outstanding shares of common stock.

This offering will result in an immediate dilution in the net tangible book value of $15.95 per share to the investors who purchase our common stock in this offering.

The following table illustrates the per share dilution after giving pro forma effect to this offering:

Initial public offering price per share		$ 23.00
Net tangible book value per share as of September 30, 2013	$ 7.05	
Dilution per share to new investors		$ 15.95

The following table summarizes, as of September 30, 2013, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased, the total consideration paid or to be paid for these shares, and the average price per share paid by our existing stockholders and to be paid by the new investors in this offering. The calculation below reflecting the effect of shares purchased by new investors is based on the initial public offering price of $23.00 per share, the midpoint of the range set forth on the cover page of this prospectus after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	282,145,839(1)	81.23%	$ 1,692,745,902	53.02%	$ 4.87
New investors (2)	65,217,391	18.77	1,500,000,000	46.98	23.00
Total	347,363,230	100.00	$ 3,192,745,902	100.00	

(1) Reflects shares purchased by existing stockholders, after deducting shares sold in this offering.

(2) The selling stockholders identified in this prospectus are offering all of the shares of common stock in this offering. We are not offering any shares of common stock in this offering and we will not receive any of the proceeds from the sale of shares in this offering.

The number of shares purchased is based on shares of common stock outstanding as of September 30, 2013 after giving effect to the Reorganization. The discussion and table above exclude shares of common stock issuable upon exercise of outstanding options issued. If the underwriters were to fully exercise their option to purchase additional shares of our common stock, the percentage of shares of our common stock held by existing stockholders would be 78.41%, and the percentage of shares of our common stock held by new investors would be 21.59%. To the extent any outstanding options are exercised, new investors will experience further dilution. To the extent all 24,068,940 outstanding options had been exercised as of September 30, 2013, the net tangible book value per share after this offering would be $6.79 and total dilution per share to new investors would be $16.21.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

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

	Three Months Ended		Nine Months Ended				Year Ended		
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	(Dollar amounts in thousands, except per share data)								
Income Statement Data									
Income from individually acquired retail installment contracts	$ 879,628	$ 580,360	$ 2,333,857	$ 1,600,054	$ 2,223,833	$ 1,695,538	$ 1,308,728	$ 1,281,515	$ 1,396,610
Income from purchased receivables portfolios	87,237	161,753	327,712	545,819	704,770	870,257	734,634	218,240	105,229
Other financing income	44,627	2,845	62,205	7,416	19,899	28,718	33,216	10,485	5,333
Interest and fees on finance receivables and loans	1,011,492	744,958	2,723,774	2,153,289	2,948,502	2,594,513	2,076,578	1,510,240	1,507,172
Interest expense	120,589	98,774	291,062	293,238	374,027	418,526	316,486	235,031	256,356
Net other finance and interest income	9,643	2,950	17,486	9,423					
Net interest margin	900,546	649,134	2,450,198	1,869,474	2,574,475	2,175,987	1,760,092	1,275,209	1,250,816
Provision for loan losses on individually acquired retail installment contracts	447,565	243,698	1,074,487	683,000	1,119,074	741,559	750,625	720,938	823,024
Incremental increase (decrease) in allowance related to purchased receivables portfolios	93,718	(57,823)	51,654	(22,798)	3,378	77,662	137,600		
Other provisions for loan losses	56,918		97,664						
Provision for loan losses	598,201	185,875	1,223,805	660,202	1,122,452	819,221	888,225	720,938	823,024

Profit sharing	27,238		34,802						
Other income	78,340	74,291	208,878	238,890	295,689	452,529	249,028	48,096	43,120
Costs and expenses	176,140	183,730	496,312	464,192	559,163	557,083	404,840	249,012	209,315
Income tax expense	65,486	141,261	322,413	372,266	453,615	464,034	277,944	143,834	87,472
Net income	111,821	212,559	581,744	611,704	734,934	788,178	438,111	209,521	174,125
Net income attributable to Santander Consumer USA Holdings Inc shareholders	111,245	168,467	583,565	595,846	715,003	768,197	438,111	209,521	174,125
Share Data									
Weighted-average common shares outstanding									
Basic	346,172,443	346,164,717	346,169,595	346,164,717	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739
Diluted	346,172,443	346,164,717	346,169,595	346,164,717	346,164,717	246,056,761	245,781,739	245,781,739	245,781,739
Earnings per share attributable to Santander Consumer USA Holdings Inc shareholders									
Basic	$ 0.32	$ 0.49	$ 1.69	$ 1.72	$ 2.07	$ 3.12	$ 1.78	$ 0.85	$ 0.71
Diluted	$ 0.32	$ 0.49	$ 1.69	$ 1.72	$ 2.07	$ 3.12	$ 1.78	$ 0.85	$ 0.71

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	Three Months Ended		Nine Months Ended				Year Ended		
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	(Dollar amounts in thousands, except per share data)								
Net tangible book value per common share at period end									
Excluding other comprehensive income (loss)	$ 7.07		$ 7.07		$ 6.01	$ 6.07	$ 2.61	$ 2.39	$ 1.68
Including other comprehensive income (loss)	$ 7.05		$ 7.05		$ 5.99	$ 6.04	$ 2.61	$ 2.34	$ 1.52
Dividends declared per share of common stock									
Basic	$	$ 0.42	$ 0.84	$ 1.37	$ 2.12	$ 1.89	$ 1.63		
Diluted	$	$ 0.42	$ 0.84	$ 1.37	$ 2.12	$ 1.89	$ 1.63		
Balance Sheet Data (1)									
Finance receivables and loans	$ 21,238,684		$ 21,238,684		$ 16,265,820	$ 16,715,703	$ 15,032,046	$ 7,466,267	$ 5,600,102
Goodwill and intangible assets	128,573		128,573		126,700	125,427	126,767	142,198	105,643
Total assets	25,608,280		25,608,280		18,741,644	19,404,371	16,773,021	8,556,177	6,044,454
Total borrowings	22,683,397		22,683,397		16,227,995	16,790,518	15,065,635	7,525,930	5,432,338
Total liabilities	23,039,122		23,039,122		16,502,178	17,167,686	16,005,404	7,838,862	5,564,986
Total equity	2,569,158		2,569,158		2,239,466	2,236,685	767,617	717,315	479,468
Allowance for loan losses	2,355,087		2,355,087		1,774,002	1,208,475	840,599	384,396	347,302
Other Information									
Charge-offs, net of recoveries	$ 371,396	$ 272,692	$ 772,187	$ 710,002	$ 1,008,454	$ 1,025,133	$ 709,367	$ 683,844	$ 679,172
End of period Delinquent principal over 60 days	969,886		969,886		865,917	767,838	579,627	502,254	477,141
End of period Gross finance receivables and loans	24,201,063		24,201,063		18,655,497	18,754,938	16,843,774	8,309,153	6,360,982
Average gross individually acquired retail installment contracts	19,790,033	12,704,563	17,180,908	11,527,698	12,082,026	8,843,036	6,631,231	5,690,833	5,396,355
Average gross purchased receivables portfolios	2,676,906	5,706,495	3,325,260	6,798,200	6,309,497	7,270,080	4,978,727	975,080	320,903
Average Gross finance receivables and loans	23,246,772	18,539,064	21,396,754	18,454,847	18,501,710	16,282,215	12,111,969	7,266,079	5,728,599
Average Total assets	24,352,346	18,530,771	21,514,270	18,300,123	18,411,012	16,067,623	11,984,997	6,930,260	5,520,652
Average Debt	21,451,420	15,781,659	18,681,703	15,528,709	15,677,522	14,557,370	10,672,331	6,083,953	4,989,280
Average Total equity	2,525,997	2,365,722	2,453,782	2,334,008	2,312,781	916,219	850,219	594,097	406,680

Ratios (2)									
Yield on individually acquired retail installment contracts	17.8%	18.3%	18.1%	18.5%	18.4%	19.2%	19.7%	22.5%	25.9%
Yield on purchased receivables portfolios	13.0	11.3	13.1	10.7	11.2	12.0	14.8	22.4	32.8
Yield on interest-earning assets	17.4	16.1	17.0	15.6	15.9	15.9	17.1	20.8	26.3
Cost of interest-bearing liabilities	2.2	2.5	2.1	2.5	2.4	2.9	3.0	3.9	5.1
Efficiency ratio	18.0	25.4	18.7	22.0	19.5	21.2	20.2	18.8	16.2
Return on average assets	1.8	4.6	3.6	4.5	4.0	4.9	3.7	3.0	3.2
Return on average equity	17.7	35.9	31.6	34.9	31.8	86.0	51.5	35.3	42.8
Net chargeoff ratio	6.4	5.9	4.6	5.1	5.5	6.3	5.9	9.4	11.9
Delinquency ratio	4.0		4.0		4.6	4.1	3.4	6.0	7.5
Tangible common equity to tangible assets	9.6		9.6		11.3	11.0	3.8	6.8	6.3
Common stock dividend payout ratio	0.0	86.3	49.8	80.0	102.8	60.6	91.3	0.0	0.0

(1) Balance sheet data as of September 30, 2012 has been excluded.

(2) Yield on interest-earning assets is defined as the ratio of Interest and fees on finance receivables and loans to Average gross finance receivables and loans.

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

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

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

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

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

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

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

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

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

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), as well as other portions of this prospectus, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words expect, anticipate, estimate, forecast, plan, project, outlook, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, continue, or the negatives of any of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including, without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any such forward-looking statement and should consider all uncertainties and risks discussed in this prospectus, including those under Risk Factors. Forward-looking statements apply only as of the date they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement is made.

Background and Overview

We are a full-service, technology-driven consumer finance company focused on vehicle finance and unsecured consumer lending products. We believe that, since our founding in 1995, we have achieved strong brand recognition in the nonprime vehicle finance space. We mainly originate loans indirectly through manufacturer-franchised and selected independent automotive dealers, as well as through relationships with national and regional banks and OEMs. We also directly originate and refinance vehicle loans online. In February 2013, we entered into a ten-year agreement with Chrysler whereby we originate private-label loans and leases under the Chrysler Capital brand. With this agreement, we are now the preferred financing provider for all of Chrysler s retail consumers, including both prime and nonprime customers. From May 1, 2013, the effective date of the agreement, through September 30, 2013, 30% of our retail installment contract origination volume has been prime, as compared to only 14% in 2012, the last full year prior to our entry into the agreement. In addition, we have several relationships through which we provide unsecured consumer loans, and we have recently expanded into private label credit cards and other consumer finance products. We generate revenues and cash flows through interest and other finance charges on our loans and leases. We also earn servicing fee income on our serviced for others portfolios, which consist of loans that we service but do not own and do not report on our balance sheet.

We have demonstrated significant access to the capital markets by funding our operations through securitization transactions and committed credit lines. We have raised over $26 billion of ABS since 2010, we were the largest issuer of retail auto ABS in 2011, 2012, and 2013. We have significant bank funding relationships, with third-party banks and Santander currently providing approximately $13.7 billion and $4.5 billion, respectively, in committed financing. In addition, we have flow agreements in place with Bank of America and SBNA to fund Chrysler Capital business. We have produced consistent, controlled growth and robust profitability in both growth periods and economic downturns. We have been profitable every year for the past ten years, we delivered an average return on assets of 3.9% from 2009 to 2012 and a return on total common equity of more than 30% in each of those years, and we have continued to deliver similar levels of return on assets and equity as of the end of 2013.

How We Assess Our Business Performance

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

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

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

Costs and expenses We assess our operational efficiency using our cost-to-income ratio. We perform extensive analysis to determine whether observed fluctuations in cost and expense levels indicate a trend or are the nonrecurring impact of large projects. Our cost and expense analysis also includes a loan- and portfolio-level review of origination and servicing costs to assist us in assessing profitability by pool and vintage.

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

Recent Developments and Other Factors Affecting Our Results of Operations

Preliminary Unaudited 2013 Results

The following information is estimated in good faith based on our preliminary unaudited financial results as of and for the year ended December 31, 2013, which are derived from preliminary internal financial reports and accordingly are subject to completion of our normal year-end closing procedures and audit by our independent registered public accounting firm. As a result, our preliminary unaudited financial results set forth below may be subject to change and those differences could be material.

	Year Ended December 31, 2013	**Year Ended December 31, 2012**
Income Statement Data		
Net interest margin	$3.4 billion	$2.6 billion
Net income	$696 million	$735 million
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$697 million	$715 million
Balance Sheet Data		
Total assets	$26.7 billion	$18.7 billion
Total equity	$2.7 billion	$2.2 billion
Ratios (1)		
Net chargeoff ratio	5.7%	5.5%
Delinquency ratio	4.5%	4.6%
Other Information		
Serviced for others portfolio	$4.5 billion	$2.5 billion
Originations	$20.5 billion	$8.6 billion

(1) Net charge-off ratio is defined as the ratio of Charge offs, net of recoveries, to Average gross finance receivables and loans. Delinquency ratio is defined as the ratio of Delinquent principal over 60 days, end of period to Gross finance receivables and loans, end of period.

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Our total assets and originations increased as of and for the year ended December 31, 2013 as compared to December 31, 2012 due to the launch of Chrysler Capital as well as our entry into unsecured lending in 2013. This increase in assets and originations drove the increase in net interest margin, while net income was down from 2012 to 2013 due to the impact of provision for loan losses on the new business.

Equity increased as of December 31, 2013 as compared to December 31, 2012 due to net income for the year ended December 31, 2013 exceeding dividends paid during that period, as we paid a dividend of 100% of our first quarter 2013 net income but no further dividends during the year.

Our serviced for others portfolio increased due to the new servicing contracts entered into in 2013 with SBNA and Bank of America, as well as with the Chrysler Capital securitization trusts.

Chrysler Capital

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

Under the Chrysler Agreement, we have agreed to specific transition milestones related to market penetration rates, approval rates, dedicated staffing, and service-level standards for the initial year following launch. If the transition milestones are not met in the first year, the agreement may terminate and we may lose the ability to operate as Chrysler Capital. Subsequent to the first year, we must continue to meet penetration and approval rate targets and maintain service-level standards or the agreement can be terminated. Our penetration rate targets, which are cumulative rates measured as of the end of each year of the Chrysler Agreement (April 30), for years one through five of the Chrysler Agreement are 31%, 44%, 54%, 64% and 65%, respectively. During the period from the May 1, 2013 launch of the Chrysler Capital business through November 30, 2013, we originated over $6.7 billion of Chrysler Capital retail installment contracts and over $2.0 billion of Chrysler Capital vehicle leases, resulting in a penetration rate of 26.5% as of November 30, 2013, and we expect to meet and exceed our penetration rate target for year one of the agreement. We expect these volumes to continue and that we will achieve the targets in the Chrysler Agreement. The Chrysler Agreement could also be terminated in the event of a change in control of SCUSA, which, as defined in the agreement, would occur if both a single shareholder acquired more than 20% of our outstanding shares of common stock and SHUSA owned fewer shares than that shareholder.

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

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

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

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

As of September 30, 2013, substantially all of the dealer floorplan loans originated under Chrysler Capital were held by our affiliate, SBNA, under the terms of either of two agreements, a flow agreement entered into in June 2013 and a sale agreement entered into in August 2013. In November 2013, we entered into an additional sale agreement to sell substantially all of the non-floorplan dealer loans to SBNA.

LendingClub

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

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

LendingClub continues to service the receivables we purchase.

Bluestem

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

Lending Technology Company

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

LLC Consolidation

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

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Stock Compensation

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

The fair value of the stock options is amortized into income over the vesting period as time and performance vesting conditions are met. Until the later of an IPO or December 31, 2016, if an employee leaves, we have the right to repurchase any or all of the stock obtained by the employee through option exercise. If the employee is terminated for cause or voluntarily leaves the Company without good reason, the repurchase price is the lower of the strike price or fair market value at the date of repurchase. If the employee is terminated without cause or voluntarily leaves the Company with good reason, the repurchase price is the fair market value at the date of repurchase. We believe that our repurchase right causes the IPO to constitute an implicit vesting condition and therefore have not recorded any stock compensation expense related to the Management Equity Plan. As of September 30, 2013, there was approximately $144 million of unrecognized compensation cost related to stock options granted but for which the IPO implicit vesting condition had not been met. We expect to recognize approximately $118 million of this expense on a pre-tax basis upon occurrence of an IPO, with the remainder to be recognized over the remaining vesting period.

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

The fair value of any instruments issued under the Omnibus Incentive Plan is amortized into income over the vesting period as time and performance vesting conditions are met. Because no instruments had yet been issued under the Omnibus Incentive Plan as of September 30, 2013, no expense was recorded for the period then ended. Total compensation cost related to the restricted shares granted in December 2013 is expected to be approximately $12 million on a pre-tax basis and will be recognized over the five-year vesting period of the shares.

Our Reportable Segment

We have one reportable segment, Vehicle Finance. It includes our vehicle financial products and services, including retail installment contracts, vehicle leases, and dealer loans. We also include in this segment financial products and services related to motorcycles, RVs, and watercraft, as well as our unsecured personal loan and point-of-sale financing operations.

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Originations and Acquisitions

Our volume of individually acquired loans and leases, including net balance increases on revolving loans, average APR and average discount during the three and nine months ended September 30, 2013 and 2012 have been as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Dollar amounts in thousands)			
Retail installment contracts	$ 5,130,372	$ 2,264,824	$ 12,539,393	$ 6,416,131
Average APR (%).	13.8%	16.8%	15.1%	17.3%
Average Discount (%).	1.9	4.0	2.8	4.2
Unsecured consumer loans	$ 276,265		$ 665,166	
Average APR (%)	23.5%		22.9%	
Average Discount (%)	8.3		9.0	
Receivables from dealers	$ 167,487	$ 8,080	$ 350,231	$ 8,080
Average APR (%)	3.3%	3.8%	3.2%	3.8%
Average Discount (%)				
Leases	$ 928,301		$ 1,419,605	

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

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

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

Historically, our primary means of acquiring retail installment contracts was through individual acquisitions immediately after origination by a dealer. We also periodically purchase pools of receivables and had significant volumes of these purchases during the credit crisis. While we continue to pursue such opportunities when available, we did not purchase any material pools during the three and nine months ended September 30, 2013 and 2012. All of the retail installment contracts acquired during these periods were acquired individually. For our existing purchased receivables portfolios, which were acquired at a discount partially attributable to credit deterioration since origination, we estimate the expected yield on each portfolio at acquisition and record monthly accretion income based on this expectation. We periodically re-evaluate performance expectations and may increase the accretion rate if a pool is performing better than expected. If a pool is performing worse than expected, we are required to continue to record accretion income at the previously established rate and to record a loan loss provision to account for the worsening performance.

Results of Operations

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

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The following table presents our results of operations for the three and nine months ended September 30, 2013 and 2012:

	For the Three Months Ended September 30, 2013	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2013	For the Nine Months Ended September 30, 2012
	(Dollar amounts in thousands)			
Interest and fees on finance receivables and loans	$ 1,011,492	$ 744,958	$ 2,723,774	$ 2,153,289
Leased vehicle income	50,099		60,129	
Other finance and interest income	1,029	2,950	5,870	9,423
Total finance and other interest income	1,062,620	747,908	2,789,773	2,162,712
Interest expense	120,589	98,774	291,062	293,238
Leased vehicle expense	41,485		48,513	
Net interest margin	900,546	649,134	2,450,198	1,869,474
Provision for loan losses	598,201	185,875	1,223,805	660,202
Net interest margin after provision for loan losses	302,345	463,259	1,226,393	1,209,272
Profit sharing	27,238		34,802	
Net interest margin after provision for loan losses and profit sharing	275,107	463,259	1,191,591	1,209,272
Total other income	78,340	74,291	208,878	238,890
Total costs and expenses	176,140	183,730	496,312	464,192
Income before income taxes	177,307	353,820	904,157	983,970
Income tax expense	65,486	141,261	322,413	372,266
Net income	111,821	212,559	581,744	611,704
Noncontrolling interests	(576)	(44,092)	1,821	(15,858)
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$ 111,245	$ 168,467	$ 583,565	$ 595,846
Net income	$ 111,821	$ 212,559	$ 581,744	$ 611,704
Change in unrealized gains (losses) on cash flow hedges, net of tax	986	1,330	5,821	3,718
Change in unrealized gains (losses) on investments available for sale, net of tax	(629)	(569)	(3,252)	(3,273)
Other comprehensive income, net	357	761	2,569	445
Comprehensive income	112,178	213,320	584,313	612,149
Comprehensive (income) loss attributable to noncontrolling interests	(624)	(44,359)	953	(17,369)
Comprehensive income attributable to Santander Consumer USA Holdings Inc. shareholders	$ 111,554	$ 168,961	$ 585,266	$ 594,780

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Three and Nine Months Ended September 30, 2013 Compared to Three and Nine Months Ended September 30, 2012

Interest and Fees on Finance Receivables and Loans

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$ 879,628	$ 580,360	$ 299,268	52%	$ 2,333,857	$ 1,600,054	$ 733,803	46%
Income from purchased receivables portfolios	87,237	161,753	(74,516)	(46%)	327,712	545,819	(218,107)	(40%)
Income from receivables from dealers	2,180	2,845	(665)	(23%)	4,915	7,416	(2,501)	(34%)
Income from unsecured consumer loans	42,447		42,447		57,290		57,290	
Total interest and fees on finance receivables and loans	$ 1,011,492	$ 744,958	$ 266,534	36%	$ 2,723,774	$ 2,153,289	$ 570,485	26%

Income from individually acquired retail installment contracts increased $299 million, or 52%, from the third quarter of 2012 to the third quarter of 2013, and $734 million, or 46%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, slightly less than the growth in the average outstanding balance of our portfolio of these contracts by 56% and 49%, respectively, due to the larger proportion of lower-yielding prime assets in our portfolio in 2013.

Income from purchased receivables portfolios decreased $75 million, or 46%, from the third quarter of 2012 to the third quarter of 2013, and $218 million, or 40%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, due to the continued runoff of the portfolios, as we have made no significant portfolio acquisitions since 2011. The average balance of the portfolios decreased from $5.7 billion and $6.8 billion, respectively, for the three and nine months ended September 30, 2012, to $2.7 billion and $3.3 billion, respectively, for the three and nine months ended September 30, 2013. The impact of the decrease in portfolio size was partially offset by increased accretion income due to improved performance on certain acquired pools.

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

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

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Leased Vehicle Income and Expense

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Dollar amounts in thousands)			
Leased vehicle income	$ 50,099	$	$ 60,129	$
Leased vehicle expense	41,485		48,513	
	$ 8,614	$	$ 11,616	$

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

Interest Expense

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Interest expense on notes payable	$ 104,156	$ 83,172	$ 20,984	25%	$ 268,466	$ 236,225	$ 32,241	14%
Interest expense on derivatives	16,433	15,759	674	4%	22,596	56,002	(33,406)	(60%)
Other interest expense		(157)	157	(100%)		1,011	(1,011)	(100%)
Total interest expense	$ 120,589	$ 98,774	$ 21,815	22%	$ 291,062	$ 293,238	$ (2,176)	(1%)

Interest expense on notes payable increased $21 million, or 25%, from the third quarter of 2012 to the third quarter of 2013, and $32 million, or 14%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, less than the growth in average debt outstanding of 36% and 20%, due to the more favorable interest rates on our most recent secured structured financings.

Interest expense on derivatives decreased $33 million, or 60%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, primarily due to the $16 million positive impact of mark-to-market adjustments on trading derivatives in the 2013 year-to-date period as compared to the $1 million negative impact in the 2012 year-to-date period, as interest rates moved more favorably on our positions. We also incurred approximately $16 million less interest expense on our derivatives, despite an increasing notional balance outstanding, due to the more favorable interest rate environment.

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Provision for Loan Losses

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Provision for loan losses on individually acquired retail installment contracts	$ 447,565	$ 243,698	$ 203,867	84%	$ 1,074,487	$ 683,000	$ 391,487	57%
Incremental increase (decrease) in allowance related to purchased receivable portfolios	93,718	(57,823)	151,541	(262%)	51,654	(22,798)	74,452	(327%)
Provision for loan losses on receivables from dealers	103		103		1,593		1,593	
Provision for loan losses on unsecured consumer loans	56,815		56,815		96,071		96,071	
Provision for loan losses	$ 598,201	$ 185,875	$ 412,326	222%	$ 1,223,805	$ 660,202	$ 563,603	85%

Provision for loan losses on our individually acquired retail installment contracts increased $204 million, or 84%, from the third quarter of 2012 to the third quarter of 2013, driven by faster portfolio growth. Provision for loan losses on our individually acquired retail installment contracts increased $391 million, or 57%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, driven by faster portfolio growth. Our portfolio of individually acquired retail installment contracts grew by 14% and 47% for the three and nine months ended September 30, 2013, respectively, up from 9% and 32% for the three and nine months ended September 30, 2012, respectively, due to the higher current year origination volume, primarily driven by Chrysler Capital business. Our net charge off rate increased from prior year due to increased competition having made it more difficult for lenders, including us, to price for incremental risk.

The allowance on purchased receivables changed from a credit for the three and nine months ended September 30, 2012, to an expense for the three and nine months ended September 30, 2013, due to worsening performance in the current year as compared to overall improving performance in 2012.

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

Profit Sharing

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Dollar amounts in thousands)			
Profit sharing	$ 27,238	$	$ 34,802	$

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

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Other Income

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Gain on sale of loans	$ 7,678	$	$ 7,678		$ 8,950	$	$ 8,950	
Servicing fee income	7,384	7,979	(595)	(7%)	21,010	26,843	(5,833)	(22%)
Fees, commissions and other	63,278	66,312	(3,034)	(5%)	178,918	212,047	(33,129)	(16%)
Total other income	$ 78,340	$ 74,291	$ 4,049	5%	$ 208,878	$ 238,890	$ (30,012)	(13%)
Average serviced for others portfolio	$ 2,576,706	$ 2,814,864	($ 238,158)	(8%)	$ 2,616,868	$ 3,102,469	$ (485,601)	(16%)

Gain on sale of loans is primarily comprised of the gains on sales of loans to Bank of America under terms of a forward flow agreement. The Company sold $739 million and $897 million, respectively, of loans to Bank of America for the three and nine months ended September 30, 2013. Gain on sale of loans also includes an approximately $1 million gain on the non-recurring sale of approximately $205 million in dealer floorplan loans to SBNA in August 2013.

We record servicing fee income on loans that we service but do not own and do not report on our balance sheet. Servicing fee income for the three and nine months ended September 30, 2013 decreased 7% and 22%, respectively, as compared to the corresponding prior year periods, consistent with the decline in our average third-party serviced portfolio. Our serviced for others portfolios continued to run off as we entered into no new servicing contracts during 2012 and the new servicing contracts entered into in 2013 with Bank of America and SBNA did not begin to have volume until June and August, respectively.

Fees, commissions, and other decreased $3 million, or 5%, from the third quarter of 2012 to the third quarter of 2013, and $33 million, or 16%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, despite the increase in total owned and serviced portfolio size. The decreases were driven by a decline in deficiency income (proceeds on loans that were charged off prior to our acquiring them) from $25 million and $83 million for the three and nine months ended September 30, 2012 to $7 million and $37 million for the three and nine months ended September 30, 2013.

Costs and Expenses

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Salary and benefits expense	$ 79,293	$ 55,402	$ 23,891	43%	$ 217,172	$ 164,701	$ 52,471	32%
Servicing and repossession expense	36,091	27,956	8,135	29%	103,231	101,329	1,902	2%
Other operating costs	60,756	100,372	(39,616)	(39%)	175,909	198,162	(22,253)	(11%)
Total costs and expenses	$ 176,140	$ 183,730	$ (7,590)	(4%)	$ 496,312	$ 464,192	$ 32,120	7%

Total costs and expenses declined slightly from the third quarter of 2012 to the third quarter of 2013, and increased 7% from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, as

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the increases in headcount and incentive compensation and servicing and repossession expense driven by growth in our portfolio were offset by the impact of nonrecurring indemnification payments to two of the investors in Auto Finance Holdings in relation to tax payments resulting from their investments in the ALAs. Indemnification expense, all of which was recorded in the third quarter of 2012 and was based on actual and expected payments, totaled $49 million, substantially all of which was subsequently reversed in the fourth quarter of 2012 upon the investors declaration of worthlessness of their investments in the ALAs. Even excluding the impact of this nonrecurring item, our efficiency ratio improved from prior year as revenues from the new lines of business exceeded the increase in costs.

Income Tax Expense

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Income tax expense	$ 65,486	$ 141,261	$ (75,775)	(54%)	$ 322,413	$ 372,266	$ (49,853)	(13%)
Income before income taxes	177,307	353,820	(176,513)	(50%)	904,157	983,970	(79,813)	(8%)
Effective tax rate	36.9%	39.9%			35.7%	37.8%		

Our effective tax rate decreased from 39.9% and 37.8% for the three and nine months ended September 30, 2012 to 36.9% and 35.7% for the three and nine months ended September 30, 2013, primarily due to partial releases in 2013 of a valuation allowance established in 2012 for capital loss carryforwards for which we did not have a plan to recognize offsetting capital gains, enabling recognition of the losses before their expiration in 2017. Deficiency balance sales in 2013 resulted in the realization for tax purposes of capital gains that partially offset the capital losses carried forward from the prior year.

Other Comprehensive Income (Loss)

	Three Months Ended				Nine Months Ended			
	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent	September 30, 2013	September 30, 2012	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges, net of tax	$ 986	$ 1,330	$ (344)	(26%)	$ 5,821	$ 3,718	$ 2,103	57%
Change in unrealized gains (losses) on investments available for sale, net of tax	(629)	(569)	(60)	11%	(3,252)	(3,273)	21	(1%)
Other comprehensive income (loss), net	357	$ 761	$ (404)	(53%)	$ 2,569	$ 445	$ 2,124	477%

The positive changes in unrealized gain (loss) on cash flow hedges for the three and nine months ended September 30, 2013 and 2012 were driven by the maturity of hedges and the resulting recognition in income of losses previously accumulated in other comprehensive income (loss).

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

Finance and Other Interest Income

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$ 2,223,833	$ 1,695,538	$ 528,295	31%
Income from purchased receivables portfolios	704,770	870,257	(165,487)	(19%)
Other financing income	19,899	28,718	(8,819)	(31%)
Total finance and other interest income	$ 2,948,502	$ 2,594,513	$ 353,989	14%

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

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

Other financing income includes income from receivables from dealers and interest on our available-for-sale investments. We had no unsecured consumer loans in 2012 or 2011.

Interest Expense

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

Interest expense on notes payable increased 7.5%, due to the 7.7% increase in average debt outstanding.

Interest expense on derivatives decreased $60.6 million, primarily due to the $8.3 million positive impact of mark-to-market adjustments on trading derivatives in 2012 versus the $37.0 million negative impact of mark-to-market adjustments on these derivatives in 2011, as interest rates moved more favorably on our positions in 2012 versus 2011. We also incurred approximately $15.3 million less interest expense on our derivatives in 2012, despite maintaining a consistent notional balance outstanding, due to the more favorable interest rate environment.

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Provision for Loan Losses

	Year Ended		Increase (Decrease)	
	December 31, 2012	December 31, 2011	Amount	Percent
	(Dollar amounts in thousands)			
Provision for loan losses on individually acquired retail installment contracts	$ 1,119,074	$ 741,559	$ 377,515	51%
Incremental increase in allowance related to purchased receivables portfolios	3,378	77,662	(74,284)	(96%)
Provision for loan losses on retail installment contracts	$ 1,122,452	$ 819,221	$ 303,231	37%

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

The allowance on purchased receivables increased $3.4 million in 2012 as compared to $77.7 million in 2011 due to the run off of the portfolios and overall less deterioration in performance.

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

Other Income

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

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

Fees, commissions, and other increased $60.4 million, or 30%, primarily attributable to higher customer fees on our owned portfolio, as well as a $15.0 million increase in income from purchased deficiencies.

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Costs and Expenses

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

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

Income Tax Expense

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

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

Other Comprehensive Income

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

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

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

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Finance and Other Interest Income

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$ 1,695,538	$ 1,308,728	$ 386,810	30%
Income from purchased receivables portfolios	870,257	734,634	135,623	18%
Other financing income	28,718	33,216	(4,498)	(14%)
Total finance and other interest income	$ 2,594,513	$ 2,076,578	$ 517,935	25%

Income from individually acquired retail installment contracts increased $387 million, or 30%, driven by the 33% increase in the average outstanding balance of our portfolio of individually acquired loans (from $6.6 billion in 2010 to $8.8 billion in 2011).

Income from purchased receivables portfolios increased $136 million, or 19%, driven by an increase in average earning assets due to our several large portfolio purchases in the second half of 2010. The average balance of purchased receivables for the years ended 2011 and 2010 was $7.3 billion and $5.0 billion, respectively. Portfolios purchased during 2010 reflect a full year of income in 2011 as compared to a partial year in 2010. In addition, during the fourth quarter of 2011, we consolidated two pools totaling $3.8 billion that previously had been serviced for a third party.

Other financing income includes income from receivables from dealers and interest on our available-for-sale investments. We had no unsecured consumer loans in 2011 or 2010.

Interest Expense

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Interest expense on notes payable	$ 289,513	$ 208,166	$ 81,347	39%
Interest expense on derivatives	122,257	98,295	23,962	24%
Other interest expense	6,756	10,025	(3,269)	(33%)
Total interest expense	$ 418,526	$ 316,486	$ 102,040	32%

Interest expense on notes payable increased 39% due to the 36% increase in average debt outstanding.

Interest expense on derivatives increased $24.0 million, primarily due to the disqualification of certain of our interest rate swap agreements from hedge accounting effective in 2011, in addition to our entry during 2011 into new hedges for which we did not apply hedge accounting and which declined in value during the year, resulting in negative mark-to-market adjustments recorded through earnings.

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Provision for Loan Losses

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Provision for loan losses on individually acquired retail installment contracts	$ 741,559	$ 750,625	$ (9,066)	(1%)
Incremental increase in allowance related to purchased receivables portfolios	77,662	137,600	(59,938)	(44%)
Provision for loan losses on retail installment contracts	$ 819,221	$ 888,225	$ (69,004)	(8%)

Total provision for loan losses decreased from 2010 to 2011, primarily due to a lower provision related to purchased receivables portfolios. The higher impairment charges in 2010 were due to the actual and expected performance of certain portfolios worsening more in 2010 than in 2011.

We did not record a provision for loan losses on receivables from dealers in 2011 or 2010 due to the immateriality of projected losses. We had no unsecured consumer loans in 2011 and 2010.

Other Income

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Servicing fee income	$ 251,394	$ 173,882	$ 77,512	45%
Fees, commissions, and other	201,135	75,146	125,989	168%
Total other income	$ 452,529	$ 249,028	$ 203,501	82%
Average serviced for others portfolio	$ 7,833,390	$ 6,480,801	$ 1,352,589	21%

Servicing fee income increased $77.5 million, or 45%, as compared to prior year, driven by the 21% increase in our average third-party serviced portfolio and the recording in 2011 of a full year of income from two large serviced portfolios that we began servicing in September 2010 and that had higher average servicing fees than our other serviced portfolios as a result of servicer incentive payments earned. In December 2011, two LLCs formed to purchase these portfolios were consolidated into our financial statements.

Fees, commissions, and other increased $126 million, including a $79 million increase in income from purchased deficiency balances as the result of our purchase of several large deficiency portfolios and a $53 million increase in customer fees related to the 39% increase in average loan portfolio balance.

Costs and Expenses

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Salary and benefits expense	$ 213,688	$ 151,528	$ 62,160	41%
Servicing and repossession expense	155,857	98,275	57,582	59%
Other operating expenses	187,538	155,037	32,501	21%

Total costs and expenses	$ 557,083	$ 404,840	$ 152,243	38%

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Total costs and expenses increased $152 million year-over-year. Salary and benefits expense reflects an increase in headcount and overtime expenses related to two major purchased receivables portfolio acquisitions. Servicing and repossession expenses increased due to greater owned assets driven by the purchased portfolio acquisitions as well as organic growth. Other operating expenses increased, reflecting additional investment in IT infrastructure and overall cost increases to support the growth of the portfolio. These combined factors drove an increase in our efficiency ratio from 20.2% in 2010 to 21.2% in 2011.

Income Tax Expense

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Income tax expense	$ 464,034	$ 277,944	$ 186,090	67%
Income before income taxes	1,252,212	716,055	536,157	75%
Effective tax rate	37.1%	38.8%		

Income tax expense increased $186.1 million as a result of increased income in 2012. Our effective tax rate decreased from 38.8% in 2010 to 37.1% in 2011, primarily due to higher expense related to reserves for unrecognized tax benefits in 2010.

Other Comprehensive Income

	Year Ended		Increase (Decrease)	
	December 31, 2011	December 31, 2010	Amount	Percent
	(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges, net of tax	$ (5,677)	$ 7,958	$ (13,635)	(171%)
Change in unrealized gains (losses) on investments available for sale, net of tax	(6,340)	4,233	(10,573)	(250%)
Other comprehensive income (loss), net	$ (12,017)	$ 12,191	$ (24,208)	(199%)

The negative change in unrealized gains (losses) on cash flow hedges in 2011 as compared to the positive change in 2010 was due to unfavorable interest rate movements on our cash flow hedges, consistent with the negative mark-to-market impact we experienced on our trading hedges as described in Interest Expense. The negative change in unrealized gains (losses) on investments available for sale was due to the amortization of bonds issued by an automobile retail company in 2011 as compared to a positive change in 2010, despite the amortization, due to interest rate movements. The bonds maintained a market price above par value throughout 2011 and 2010.

Credit Quality

Loans and Other Finance Receivables

Nonprime loans decreased from 86% of our held for investment retail installment contract portfolio as of December 31, 2012 to 83% of our portfolio as of September 30, 2013. We record an allowance for loan losses to cover expected losses on our individually acquired retail installment contracts and other loans and receivables. For retail installment contracts we acquired in pools subsequent to their origination, we anticipate the expected

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

	September 30, 2013				
	Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivable Portfolios	Total	Receivables from Dealers	Unsecured Consumer Loans
	(Dollar amounts in thousands)				
Unpaid principal balance	$ 20,897,405	$ 2,409,538	$ 23,306,943	$ 178,518	$ 715,602
Loan loss allowance	(1,987,950)	(270,294)	(2,258,244)	(1,593)	(95,250)
Discount	(527,254)	(136,869)	(664,123)		(50,853)
Capitalized origination costs	33,977		33,977		282
Net carrying balance	$ 18,416,178	$ 2,002,375	$ 20,418,553	$ 176,925	$ 569,781
Allowance and discount as a percentage of unpaid principal balance	12%	17%	13%	1%	20%

	December 31, 2012	
	Retail Installment Contracts Held for Investment	
	Loans Acquired Individually	Purchased Receivable Portfolios