Santander Consumer USA Holdings Inc.
Form 10-Q
May 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2014

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

SANTANDER CONSUMER USA HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

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

1601 Elm Street, Suite 800, Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

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

Not Applicable

(Former name, former address, and formal fiscal year, if changed since last report)

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

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

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

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

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

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

Class	Outstanding at May 12, 2014
Common Stock ($0.01 par value)	348,775,493 shares

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

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," " similar words or phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements are not guarantees of future performance and involve risks and uncertainties which are subject to change based on various important factors, some of which are beyond our control. For additional discussion of these risks, refer to Part II, Item 1A—Risk Factors. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

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

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

PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

(Unaudited at March 31, 2014)

	March 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$112,835	$10,531
Receivables held for sale	171,466	82,503
Retail installment contracts held for investment, net	21,087,173	20,219,609
Unsecured consumer loans, net	1,000,545	954,189
Restricted cash	1,830,392	1,563,613
Receivables from dealers, held for investment, net	108,200	94,745
Accrued interest receivable	312,040	319,157
Leased vehicles, net	2,956,910	2,023,433
Furniture and equipment, net of accumulated depreciation of $56,059 and $58,117, respectively	30,315	25,712
Federal, state and other income taxes receivable	304,032	372,338
Deferred tax asset	232,185	197,041
Goodwill	74,056	74,056
Intangible assets	54,391	54,664
Other assets	521,693	410,305
Total assets	$28,796,233	$26,401,896
Liabilities and Equity		
Liabilities:		
Notes payable — credit facilities, $4,365,000 and $3,650,000 to affiliates, respectively	$9,573,726	$8,099,773
Notes payable — secured structured financings	15,783,587	15,195,887
Accrued interest payable — $10,457 and $11,563 to affiliates, respectively	26,784	26,512
Accounts payable and accrued expenses — $41,788 and $39,772 to affiliates, respectively	390,845	283,106
Federal, state and other income taxes payable	15,502	7,623
Other liabilities	97,771	102,163
Total liabilities	25,888,215	23,715,064
Commitments and contingencies (Notes 5 and 10)		
Equity:		
Common stock, $0.01 par value — 1,100,000,000 shares authorized;		

348,770,333 and 346,763,261 shares issued and 348,767,179 and 346,760,107 shares outstanding, respectively	3,488	3,468
Additional paid-in capital	1,547,075	1,409,463
Accumulated other comprehensive loss	(765)	(2,853)
Retained earnings	1,358,220	1,276,754
Total stockholders’ equity	2,908,018	2,686,832
Total liabilities and equity	$28,796,233	$26,401,896

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	For the Three Months Ended	
	March 31,	
	2014	2013
Interest on finance receivables and loans	$1,140,329	$811,907
Leased vehicle income	147,123	—
Other finance and interest income	250	2,685
Total finance and other interest income	1,287,702	814,592
Interest expense — Including $34,243 and $11,512 to affiliates, respectively	124,446	82,997
Leased vehicle expense	120,069	—
Net finance and other interest income	1,043,187	731,595
Provision for loan losses	698,594	217,193
Net finance and other interest income after provision for loan losses	344,593	514,402
Profit sharing	32,161	—
Net finance and other interest income after provision for loan losses and profit sharing	312,432	514,402
Gain on sale of receivables	35,814	—
Servicing fee income	10,405	7,271
Fees, commissions, and other	89,304	68,858
Total other income	135,523	76,129
Salary and benefits expense	201,915	62,547
Repossession expense	48,431	36,158
Other operating costs	68,102	50,169
Total operating expenses	318,448	148,874
Income before income taxes	129,507	441,657
Income tax expense	48,041	152,798
Net income	81,466	288,859
Noncontrolling interests	—	1,543
Net income attributable to Santander Consumer USA Holdings Inc.	$81,466	$290,402
Net income	$81,466	$288,859
Other comprehensive income:		
Change in unrealized gains (losses) on cash flow hedges, net of tax of $1,230 and $1,706	2,088	2,834
Change in unrealized gains on investments available for sale, net of tax of zero and $943	—	(1,456)
Other comprehensive income, net	2,088	1,378
Comprehensive income	$83,554	$290,237
Comprehensive loss attributable to noncontrolling interests	—	991
Comprehensive income attributable to Santander Consumer USA Holdings Inc.	$83,554	$291,228
Net income per common share (basic and diluted)	$0.23	$0.84

Dividends declared per common share	$—	$—
Weighted average common shares (basic)	348,101,891	346,164,763
Weighted average common shares (diluted)	356,325,036	346,164,763

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited) (In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total Stockholders' Equity
Balance — January 1, 2013	346,165	$3,462	$1,335,572	$(9,164)	$869,664	$39,932	$2,239,466
Repayment of employee loans	—	—	519	—	—	—	519
Stock issued in connection with employee incentive compensation plans	4	—	69	—	—	—	69
Capital contribution received from shareholder	—	—	48,275	—	—	—	48,275
Net income	—	—	—	—	290,402	(1,543)	288,859
Other comprehensive income, net of taxes	—	—	—	1,378	—	—	1,378
Balance — March 31, 2013	346,169	$3,462	$1,384,435	$(7,786)	$1,160,066	$38,389	$2,578,566
Balance — January 1, 2014	346,760	$3,468	$1,409,463	$(2,853)	$1,276,754	$—	$2,686,832
Stock issued in connection with employee incentive compensation plans	2,007	20	16,390	—	—	—	16,410
Stock based compensation expense	—	—	121,222	—	—	—	121,222
Net income	—	—	—	—	81,466	—	81,466
Other comprehensive income, net of taxes	—	—	—	2,088	—	—	2,088
Balance — March 31, 2014	348,767	$3,488	$1,547,075	$(765)	$1,358,220	$—	$2,908,018

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (Dollars in thousands)

	For the Three Months Ended March 31, 2014	2013
Cash flows from operating activities:		
Net income	$81,466	$288,859
Adjustments to reconcile net income to net cash provided by operating activities:		
Derivative mark to market	(5,058)	(6,618)
Provision for credit losses	698,594	217,193
Depreciation and amortization	139,158	26,114
Accretion of discount and capitalized origination costs, net	(197,943)	(97,249)
Originations and purchases of receivables held for sale	(1,267,304)	—
Proceeds from sales of and repayments on receivables held for sale	1,187,745	—
Gain on sale of receivables	(35,814)	—
Stock-based compensation	121,222	231
Deferred tax benefit	(27,128)	(32,041)
Changes in assets and liabilities:		
Accrued interest receivable	2,176	10,609
Accounts receivable	(22,193)	210
Federal income tax and other taxes	76,185	153,587
Other assets	(26,738)	(5,075)
Accrued interest payable	272	839
Other liabilities	126,702	69,051
Net cash provided by operating activities	851,342	625,710
Cash flows from investing activities:		
Retail installment contracts originated or purchased from dealers	(4,239,359)	(2,541,431)
Collections on retail installment contracts	2,246,851	2,019,293
Proceeds from sale of loans held for investment	554,060	—
Leased vehicles purchased	(1,212,312)	—
Manufacturer incentives received	217,457	—
Proceeds from termination of leased vehicles	11,089	—
Change in revolving unsecured consumer loans	13,493	—
Unsecured consumer term loans purchased	(107,902)	—
Collections on unsecured consumer term loans	17,110	—
Disbursements for receivables from lenders held for investment	(14,288)	(83,080)
Collections on receivables from lenders held for investment	887	—
Collections on investments available for sale	—	17,872
Purchases of furniture and equipment	(7,443)	(2,956)
Sales of furniture and equipment	714	758
Change in restricted cash	(266,779)	(446,938)
Other investing activities	(4,391)	(1,859)

Net cash used in investing activities	(2,790,813)	(1,038,341)
Cash flows from financing activities:		
Proceeds from notes payable related to secured structured financings — net of debt issuance costs	2,734,093	2,444,579
Payments on notes payable related to secured structured financings	(2,149,907)	(1,863,146)
Proceeds from unsecured notes payable	1,740,000	195,000
Payments on unsecured notes payable	(1,325,000)	(188,302)
Proceeds from notes payable	6,721,716	3,945,517
Payments on notes payable	(5,662,762)	(4,236,675)
Proceeds from stock option exercises, gross	13,071	—
Repurchase of stock - employee tax withholding	(5,908)	—
Repayment of employee notes	—	519
Capital contribution from shareholder	—	48,275
Cash collateral posted on derivatives	(23,528)	—
Net cash provided by financing activities	2,041,775	345,767
Net increase (decrease) in cash and cash equivalents	102,304	(66,864)
Cash — Beginning of period	10,531	70,887
Cash — End of period	$112,835	$4,023

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies and Practices
Santander Consumer USA Holdings Inc., a Delaware Corporation ("SCUSA Delaware" or, together with its subsidiaries, "SCUSA" or "the Company"), is the holding company for Santander Consumer USA Inc., an Illinois corporation ("SCUSA Illinois"), and subsidiaries, a specialized consumer finance company focused on vehicle finance and unsecured consumer lending products.

The Company is owned approximately 60.5% by Santander Holdings USA, Inc. ("SHUSA"), a subsidiary of Banco Santander, S.A. ("Santander"), approximately 4.1% by Sponsor Auto Finance Holdings Series LP ("Auto Finance Holdings"), approximately 10.0% by DDFS LLC, an entity affiliated with Thomas G. Dundon, the Company's Chairman and Chief Executive Officer ("CEO"), approximately 25.3% by public shareholders and approximately 0.1% by other holders, primarily members of senior management.

The Company's primary business is the indirect origination of retail installment contracts principally through manufacturer-franchised dealers in connection with their sale of new and used vehicles to retail consumers.

In conjunction with a ten-year private label financing agreement with Chrysler Group (the "Chrysler Agreement") that became effective May 1, 2013, the Company offers a full spectrum of auto financing products and services to Chrysler customers and dealers under the Chrysler Capital brand. These products and services include consumer retail installment contracts and leases, as well as dealer loans for inventory, construction, real estate, working capital and revolving lines of credit.

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

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries, including certain special purpose financing trusts utilized in financing transactions ("Trusts"), which are considered variable interest entities ("VIEs"). The Company consolidates other VIEs for which it was deemed the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying condensed consolidated financial statements as of March 31, 2014 and December 31, 2013, and for the three months ended March 31, 2014 and 2013, have been prepared in accordance with United States (U.S.) generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year.

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

Business Segment Information

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

Accounting Policies

The Company has identified the following critical accounting policies and estimates used by management in the preparation of the Company's financial statements: retail installment contracts, unsecured consumer loans, receivables from dealers, provision for loan losses, leased vehicles, income taxes, and earnings per share. As of March 31, 2014, there have been no significant changes to the Company's accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements

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

2. Finance Receivables

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

	March 31, 2014 Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Unpaid principal balance	$22,826,639	$1,566,897	$24,393,536	$ 109,105	$1,217,755
Loan loss allowance (Note 3)	(2,444,552)	(206,170)	(2,650,722)	(1,035)	(203,190)
Discount	(649,416)	(41,311)	(690,727)	—	(14,866)
Capitalized origination costs and fees	35,086	—	35,086	130	846
Net carrying balance	$19,767,757	$1,319,416	$21,087,173	$ 108,200	$1,000,545

	December 31, 2013 Retail Installment Contracts Held for Investment				
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Receivables from Dealers Held for	Unsecured Consumer Loans

				Investment	
Unpaid principal balance	$21,238,281	$1,961,060	$23,199,341	$ 95,835	$1,165,778
Loan loss allowance (Note 3)	(2,132,634)	(226,356)	(2,358,990)	(1,090)	(179,350)
Discount	(573,462)	(81,216)	(654,678)	—	(32,831)
Capitalized origination costs	33,936	—	33,936	—	592
Net carrying balance	$18,566,121	$1,653,488	$20,219,609	$ 94,745	$954,189

As of March 31, 2014, retail installment contracts and receivables from dealers held for sale totaled $144,772 and $26,694, respectively. As of December 31, 2013, retail installment contracts and receivables from dealers held for sale totaled $56,066 and $26,437, respectively. Sales of retail installment contracts for the three months ended March 31, 2014 included principal balance amounts of approximately $1,685,723. No receivables from dealers were sold during the three months ended March 31, 2014.

Retail installment contracts are collateralized by vehicle titles, and the Company has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract. Most of the Company’s retail installment contracts held for investment are pledged against warehouse facilities or securitization bonds (Note 6). Most of the creditors on the Company’s retail installment contracts are retail consumers; however, approximately $477,062 and $345,177 of the unpaid principal balance represented fleet contracts with commercial consumers as of March 31, 2014 and December 31, 2013, respectively.

Borrowers on the Company’s retail installment contracts held for investment are located in Texas (17%), Florida (10%), California (8%), Georgia (5%), North Carolina (5%), and other states each individually representing less than 5% of the Company’s total.

Receivables from dealers held for investment includes a term loan, which was previously a residual warehouse credit facility, with a third-party vehicle dealer and lender that operates in multiple states. The loan allowed committed borrowings of $50,000 at March 31, 2014 and December 31, 2013, and the facility balance was $50,000 at each of those dates.

Borrowers on the Company's remaining receivables from dealers held for investment, all of which are Chrysler-affiliated, are located in Texas (29%), Ohio (18%), New York (13%), New Jersey (12%), California (8%), Tennessee (8%), Louisiana (5%) and other states each individually representing less than 5% of the Company's total.

Borrowers on the Company's unsecured consumer loans are located in California (9%), New York (8%), Texas (8%), Florida (6%), Pennsylvania (5%) and other states each individually representing less than 5% of the Company's total.

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
Balance — beginning of period	$403,400	$816,854
Additions (loans acquired during the period)	—	—
Accretion of accretable yield	(65,046)	(135,199)
Reclassifications from nonaccretable difference	24,469	61,693
Balance — end of period	$362,823	$743,348

The Company did not acquire any vehicle loan portfolios for which it was probable at acquisition that not all contractually required payments would be collected during the three months ended March 31, 2014 and 2013. Interest receivable on purchased receivables portfolios totaled $12,446 and $16,950 at March 31, 2014 and December 31, 2013, respectively.

3. Loan Loss Allowance and Credit Quality

Loan Loss Allowance

The Company estimates loan losses on individually acquired retail installment contracts and unsecured consumer loans held for investment based on delinquency status, historical loss experience, estimated values of underlying collateral, when applicable, and various economic factors. The Company maintains a general loan loss allowance for receivables from dealers based on risk ratings, and individually evaluates the loans for specific impairment as necessary. The activity in the loan loss allowance for individually acquired loans for the three months ended March 31, 2014 and 2013 was as follows:

Three Months Ended March 31, 2014

	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Balance — beginning of period	$2,132,634	$ 1,090	$ 179,350
Provision for loan losses	656,706	(55)	62,129
Charge-offs	(752,565)	—	(40,948)
Recoveries	407,777	—	2,659
Balance — end of period	$2,444,552	$ 1,035	$ 203,190

The loan loss allowance for receivables from dealers is comprised entirely of general allowances as none of these receivables have been determined to be individually impaired.

	Three Months Ended March 31, 2013		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Unsecured Consumer Loans
Balance — beginning of period	$1,555,362	$ —	$ —
Provision for loan losses	251,641	—	—
Charge-offs	(384,726)	—	—
Recoveries	238,335	—	—
Balance — end of period	$1,660,612	$ —	$ —

The activity in the loan loss allowance related to purchased receivables portfolios for the three months ended March 31, 2014 and 2013 was as follows:

	Three Months Ended March 31,	
	2014	2013
Balance — beginning of period	$226,356	$218,640
Incremental provisions for purchased receivable portfolios	1,325	21,662
Incremental reversal of provisions for purchased receivable portfolios	(21,511)	(56,110)
Balance — end of period	$206,170	$184,192

Delinquencies

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

	March 31, 2014				
	Retail Installment Contracts Held for Investment			Receivables from Dealers	
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Held for Investment	Unsecured Consumer Loans
Principal, current	$20,933,262	$1,247,506	$22,180,768	$ 109,105	$1,088,013
Principal, 31-60 days past due	1,290,394	210,344	1,500,738	—	39,639
Delinquent principal over 60 days	602,983	109,047	712,030	—	90,103
Total principal	$22,826,639	$1,566,897	$24,393,536	$ 109,105	$1,217,755

	December 31, 2013				
	Retail Installment Contracts Held for Investment			Receivables from Dealers	
	Loans Acquired Individually	Purchased Receivables Portfolios	Total	Held for Investment	Unsecured Consumer Loans

Principal, current	$18,653,827	$1,457,813	$20,111,640	$ 95,835	$1,072,316
Principal, 31-60 days past due	1,729,139	321,549	2,050,688	—	28,102
Delinquent principal over 60 days	855,315	181,698	1,037,013	—	65,360
Total principal	$21,238,281	$1,961,060	$23,199,341	$ 95,835	$1,165,778

As of March 31, 2014 and December 31, 2013, there were no receivables held for sale that were non-performing.

FICO® Distribution — A summary of the credit risk profile of the Company’s consumer loans by Fair Isaac Corporation (FICO®) distribution, determined at origination, as of March 31, 2014 and December 31, 2013 was as follows:

March 31, 2014		
FICO Band	Retail Installment Contracts Held for Investment	Unsecured Consumer Loans
<540	27.0%	3.6%
540-599	32.2%	27.7%
600-659	26.2%	43.8%
>660	14.6%	24.9%

December 31, 2013		
FICO Band	Retail Installment Contracts Held for Investment	Unsecured Consumer Loans
<540	26.8%	6.3%
540-599	31.8%	24.2%
600-659	26.3%	39.4%
>660	15.1%	30.1%

Commercial Lending Credit Quality Indicators — The credit quality of receivables from dealers, which are considered commercial loans, is summarized according to standard regulatory classifications as follows:

Pass — Asset is well protected by the current net worth and paying capacity of the obligor or guarantors, if any, or by the fair value less costs to acquire and sell any underlying collateral in a timely manner.

Special Mention — Asset has potential weaknesses that deserve management's close attention, which, if left uncorrected, may result in deterioration of the repayment prospects for an asset at some future date. Special Mention assets are not adversely classified.

Substandard — Asset is inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. A well-defined weakness or weaknesses exist that jeopardize the liquidation of the debt. The loans are characterized by the distinct possibility that the Company will sustain some loss if deficiencies are not corrected.

Doubtful — Exhibits the inherent weaknesses of a substandard credit. Additional characteristics exist that make collection or liquidation in full highly questionable and improbable, on the basis of currently known facts, conditions and values. Possibility of loss is extremely high, but because of certain important and reasonable specific pending factors which may work to the advantage and strengthening of the credit, an estimated loss cannot yet be determined.

Loss — Credit is considered uncollectible and of such little value that it does not warrant consideration as an active asset. There may be some recovery or salvage value, but there is doubt as to whether, how much or when the recovery would occur.

Commercial loan credit quality indicators for receivables from dealers held for investment as of March 31, 2014 and December 31, 2013 were as follows:

	March 31,	December 31,

	2014	2013
Pass	$89,785	$ 95,835
Special Mention	19,320	—
Substandard	—	—
Doubtful	—	—
	$109,105	$ 95,835

Troubled Debt Restructurings

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

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

	March 31, 2014		December 31, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Total TDR principal	$2,812,852	$ 9,600	$2,604,351	$ 8,391
Accrued interest	68,967	—	70,965	—
Discount	(80,025)	(147)	(70,321)	(274)
Origination costs	4,324	8	4,161	5
Outstanding recorded investment	2,806,118	9,461	2,609,156	8,122
Allowance for loan losses	(498,811)	(3,870)	(475,128)	(2,345)
Outstanding recorded investment, net of allowance	$2,307,307	$ 5,591	$2,134,028	$ 5,777

A summary of the Company's performing and non-performing TDRs at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014		December 31, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Current	$2,028,793	4,008	$1,690,893	$ 6,120
31-60 days past due	500,876	1,171	556,489	875
Greater than 60 days past due (non-performing)	283,183	4,421	356,969	1,396
Total TDRs	$2,812,852	$ 9,600	$2,604,351	$ 8,391

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

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts	Unsecured Consumer Loans
Average outstanding recorded investment in TDRs	$2,707,637	$ 8,996	$1,556,410	$ —
Interest income recognized	$120,451	$ 329	$92,141	$ —

TDR Impact on Allowance for Loan Losses

Prior to a loan being classified as a TDR, the Company generally estimates an appropriate allowance for loan loss based on delinquency status, the Company's historical loss experience, estimated values of underlying collateral, and various economic factors. Once a loan has been classified as a TDR, impairment is measured based on present value of expected future cash flows considering all available evidence, including collateral values.

The following table summarizes the financial effects of loan modifications accounted for as TDRs that occurred during the three-months ended March 31, 2014 and 2013 (dollars in thousands):

	Three Months Ended		
	March 31, 2014		March 31, 2013
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts
Troubled Debt Restructurings:			
Outstanding recorded investment before TDR	$624,009	$ 11,495	$ 290,861
Outstanding recorded investment after TDR	$581,053	$ 11,336	$ 288,841
Number of contracts	39,229	14,829	20,474

Loan modifications accounted for as TDRs within the previous 12 months that subsequently defaulted during the three-months ended March 31, 2014 and 2013 are summarized in the following table:

	Three Months Ended		
	March 31, 2014		March 31, 2013
	Retail Installment Contracts	Unsecured Consumer Loans	Retail Installment Contracts
Troubled debt restructurings that subsequently defaulted	$11,389	$ —	$ 10,072
Number of contracts	1,348	—	822

TDRs that have subsequently defaulted but are currently active are written down to estimated collateral value less cost to sell. As of March 31, 2014, the principal writedown on active TDRs totaled approximately $50,832.

4. Leased Vehicles, net

Leased vehicles consisted of the following as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Leased vehicles	$3,603,848	$2,402,052
Origination fees and other costs	1,927	2,716
Manufacturer subvention payments	(407,424)	(259,152)
	3,198,351	2,145,616
Depreciation	(241,441)	(122,183)
	$2,956,910	$2,023,433

The following summarizes the future minimum rental payments due to the Company as lessor under operating leases as of March 31, 2014:

Remainder of 2014	$417,563
2015	529,880
2016	366,658
2017	25,961

2018	14
Thereafter	—
Total	$1,340,076

5. Debt

Revolving Credit Facilities

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

	March 31, 2014					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Warehouse line	June 2014	$212,438	$500,000	1.14%	$295,988	$—
Warehouse line	Various (a)	552,682	1,227,744	1.39%	808,611	10,851
Warehouse line (b)	January 2016	724,888	4,550,000	1.91%	1,218,964	25,771
Warehouse line	December 2015	1,399,123	2,000,000	0.94%	1,722,751	36,295
Warehouse line	July 2015	317,886	500,000	0.93%	383,811	18,035
Warehouse line (c)	September 2015	119,480	200,000	2.31%	207,906	8,015
Repurchase facility (d)	Various	748,461	748,461	1.55%	843,484	—
Warehouse line	December 2015	708,174	750,000	0.82%	1,025,381	21,836
Warehouse line (e)	November 2016	175,000	175,000	1.70%	—	—
Warehouse line (f)	March 2015	250,594	250,594	0.99%	297,750	—
Total facilities with third parties		5,208,726	10,901,799		6,804,646	120,803
Lines of credit with Santander and related subsidiaries (g):						
Line of credit	December 2016	500,000	500,000	2.44%	4,423	—
Line of credit	December 2018	65,000	500,000	2.95%	—	—
Line of credit	December 2016	1,750,000	1,750,000	2.11%	—	—
Line of credit	December 2018	1,750,000	1,750,000	2.89%	73,995	—
Line of credit	March 2017	300,000	300,000	1.70%	—	—
Total facilities with Santander and related subsidiaries		4,365,000	4,800,000		78,418	—
Total revolving credit facilities		$9,573,726	$15,701,799		$6,883,064	$120,803

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

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

(b) This line is held exclusively for Chrysler Capital retail loan and lease financing, with lease financing comprising no more than 50% of the outstanding balance upon advance.

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

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

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

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

(g) These lines are also collateralized by securitization notes payable and residuals retained by the Company. As of March 31, 2014 and December 31, 2013, $2,216,127 and $1,123,354 of the aggregate outstanding balances on these facilities were unsecured.

Facilities with Third Parties

The warehouse lines and repurchase facility are fully collateralized by a designated portion of the Company's retail installment contracts (Note 2) and leased vehicles (Note 4) and securitization residuals and notes payable retained by the Company. The Company was in compliance with all covenants related to these financing arrangements at March 31, 2014.

Lines of Credit with Santander and Related Subsidiaries

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

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

Secured Structured Financings

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

	March 31, 2014					
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2010 Securitizations	October 2016 - November 2017	$509,699	$4,671,749	1.04%-1.44%	$941,754	$206,218
2011 Securitizations	October 2015-September 2017	843,443	5,605,609	1.21%-2.80%	1,208,325	179,484
2012 Securitizations	November 2017-December 2018	3,554,805	8,023,840	0.92%-1.68%	4,419,949	395,580
2013 Securitizations	January 2019-January 2021	4,945,429	6,689,700	0.89%-1.59%	5,873,396	377,271
2014 Securitization	April 2020	1,393,823	1,500,000	1.72%	1,624,017	90,167
Public securitizations		11,247,199	26,490,898		14,067,441	1,248,720
2010 Private issuance	June 2011	201,747	516,000	1.29%	359,416	9,611
2011 Private issuances	December 2018	554,257	4,856,525	1.46%-1.80%	796,959	39,216
2012 Private issuance	May 2016	22,256	70,308	1.07%	26,678	2,763
2013 Private issuance	September 2018-September 2020	2,552,886	2,693,754	1.13%-1.38%	3,275,012	94,111
2014 Private issuances	March 2018-June 2021	1,205,242	1,232,251	1.15%-1.40%	1,544,265	35,432
Privately issued amortizing notes		4,536,388	9,368,838		6,002,330	181,133
Total secured structured financings		$15,783,587	$35,859,736		$20,069,771	$1,429,853

	December 31, 2013					
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2010 Securitizations	October 2016 - November 2017	$632,251	$4,671,749	1.04%-1.44%	$1,143,435	$205,190
2011 Securitizations	October 2015-September 2017	1,218,208	5,605,609	1.21%-2.80%	1,634,220	195,854
2012 Securitizations	November 2017-December 2018	4,061,127	8,023,840	0.92%-1.68%	5,013,135	383,677
2013 Securitizations	January 2019-January 2021	5,503,580	6,689,700	0.89%-1.59%	6,465,840	351,160
Public securitizations		11,415,166	24,990,898		14,256,630	1,135,881
2010 Private issuance	June 2011	219,704	516,000	1.29%	378,434	8,435
2011 Private issuances	December 2018	662,138	4,856,525	1.46%-1.80%	908,304	36,449
2012 Private issuance	May 2016	30,526	70,308	1.07%	35,378	3,016
2013 Private issuances	September 2018-September 2020	2,868,353	2,693,754	1.13%-1.38%	3,554,569	97,100
Privately issued amortizing notes		3,780,721	8,136,587		4,876,685	145,000
Total secured structured financings		$15,195,887	$33,127,485		$19,133,315	$1,280,881

Notes Payable — Secured Structured Financings

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

Most of the Company’s secured structured financings are in the form of public, SEC-registered securitizations. The Company also executes private securitizations under Rule 144A of the Securities Act and periodically issues private term amortizing notes, which are structured similarly to securitizations but are acquired by banks and conduits. Historically, all of the Company’s securitizations and private issuances have been collateralized by vehicle retail installment contracts and loans; however, in 2013, the Company issued its first amortizing notes backed by vehicle leases. As of March 31, 2014, the Company had private issuances of notes backed by vehicle leases totaling approximately $1,396,011.

Unamortized debt issuance costs are amortized as interest expense over the terms of the related notes payable using a method that approximates the effective interest method. Amortization of premium or accretion of discount on acquired notes payable is also included in interest expense using a method that approximates the effective interest method, over the estimated remaining life of the acquired notes. Total interest expense on secured structured financings for the three months ended March 31, 2014 and 2013 was $59,862 and $57,710, respectively.

6. Asset Securitizations

The Company transfers retail installment contracts and leased vehicles into newly formed Trusts which then issue one or more classes of notes payable backed by the collateral. The Company’s continuing involvement with the credit facilities and Trusts are in the form of servicing loans held by SPEs and, except for the Chrysler Capital securitizations, through holding a residual interest in the SPE. These transactions are structured without recourse. The Trusts are considered VIEs under U.S. GAAP and, except for the Chrysler Capital securitizations, are consolidated because the Company has: (a) power over the significant activities of the entity as servicer of its financial assets and (b), because of the residual interest and in some cases debt securities held by the Company, an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company did not retain any debt or equity interests in the Chrysler Capital securitizations executed in 2013 and 2014, and recorded these transactions as sales of the associated retail installment contracts.

The collateral, borrowings under credit facilities and securitization notes payable of the consolidated Trusts remain on the consolidated balance sheets. The Company recognizes finance charges and fee income on the retail installment contracts and leased vehicles and interest expense on the debt, and records a provision for loan losses to cover probable inherent losses on the contracts. All of the Trusts are separate legal entities and the collateral and other assets held by these subsidiaries are legally owned by them and are not available to other creditors.

The following table summarizes the assets and liabilities related to VIEs included in the Company's consolidated financial statements:

	March 31, 2014	December 31, 2013
Restricted cash	$1,550,657	$1,370,174
Retail installment contracts, net	19,910,992	19,166,392
Various other assets	3,695,594	2,564,902
Notes payable	25,514,661	23,810,950
Various other liabilities	49,412	25,682

A summary of the cash flows received from on-balance sheet securitization trusts during the three months ended March 31, 2014 and 2013, is as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Receivables securitized	$3,316,248	$2,803,734
Net proceeds from new securitizations	$2,734,093	$2,450,000
Cash received for servicing fees	145,772	101,588
Cash received upon release from reserved and restricted cash accounts	749	3,419
Net distributions from Trusts	320,861	327,567
Total cash received from securitization trusts	$3,201,475	$2,882,574

The Company retains servicing responsibility for receivables transferred to the Trusts and receives a monthly servicing fee on the outstanding principal balance. Supplemental fees, such as late charges, for servicing the receivables are reflected in fees, commissions and other income. As of March 31, 2014 and December 31, 2013, the Company was servicing $22,936,058 and $21,935,874, respectively, of gross retail installment contracts that have been transferred to consolidated Trusts. The remainder of the Company's retail installment contracts is either pledged in private issuances or warehouse facilities or unpledged.

During the three months ended March 31, 2014, the Company sold $774,183 of gross retail installment contracts in off-balance sheet securitizations for a gain of approximately $32,538. As of March 31, 2014 and December 31, 2013, the Company was servicing $1,681,856 and $1,017,756, respectively, of gross retail installment contracts that have been sold in these off-balance sheet Chrysler Capital securitizations.

7. Derivative Financial Instruments

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

	March 31, 2014		December 31, 2013	
	Notional	Fair Value	Notional	Fair Value
Interest rate swap agreements designated as cash flow hedges	$5,142,500	$(2,230)	$3,873,000	$(5,686)
Interest rate swap agreements not designated as hedges	3,237,133	(26,205)	3,444,459	(31,360)
Interest rate cap agreements	4,929,458	43,599	4,616,960	28,274
Options for interest rate cap agreements	4,929,458	(43,680)	4,616,960	(28,389)
Total return swap	250,594	—	—	—

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

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

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

Information on the offsetting of derivative assets and derivative liabilities due to the right of offset was as follows, as of March 31, 2014 and December 31, 2013:

	Offsetting of Financial Assets					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2014						
Interest rate swaps - Santander & affiliates	$3,067	$ —	$ 3,067	$—	$ —	$3,067
Interest rate caps - Santander & affiliates	27,018	—	27,018	—	—	27,018
Interest rate caps - third party	16,581	—	16,581	—	—	16,581
Total derivatives subject to a master netting arrangement or similar arrangement	46,666	—	46,666	—	—	46,666
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative assets	$46,666	$ —	$ 46,666	$—	$ —	$46,666

Total financial assets	$46,666	$ —	$ 46,666	$—	$ —	$46,666
December 31, 2013						
Interest rate swaps - Santander & affiliates	$1,601	$ —	$ 1,601	$—	$ —	$1,601
Interest rate caps - Santander & affiliates	9,342	—	9,342	—	—	9,342
Interest rate caps - third party	18,932	—	18,932	—	—	18,932
Total derivatives subject to a master netting arrangement or similar arrangement	29,875	—	29,875	—	—	29,875
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative assets	$29,875	$ —	$ 29,875	$—	$ —	$29,875
Total financial assets	$29,875	$ —	$ 29,875	$—	$ —	$29,875

Offsetting of Financial Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
March 31, 2014						
Interest rate swaps - Santander & affiliates	$31,502	$ (9,707)	$ 21,795	$ —	$ —	$21,795
Back to back - Santander & affiliates	27,018	(21,817)	$ 5,201	$ —	$ —	$5,201
Back to back - third party	16,662	(16,662)	—	—	—	—
Total derivatives subject to a master netting arrangement or similar arrangement	75,182	(48,186)	26,996	—	—	26,996
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative liabilities	$75,182	$ (48,186)	$ 26,996	$ —	$ —	$26,996
Total financial liabilities	$75,182	$ (48,186)	$ 26,996	$ —	$ —	$26,996
December 31, 2013						
Interest rate swaps - Santander & affiliates	$38,647	$ (2,258)	$ 36,389	$ —	$ —	$36,389
Back to back - Santander & affiliates	9,342	(9,342)	—	—	—	—
Back to back - third party	19,047	(15,420)	3,627	—	—	3,627
Total derivatives subject to a master netting arrangement or similar arrangement	67,036	(27,020)	40,016	—	—	40,016
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative liabilities	$67,036	$ (27,020)	$ 40,016	$ —	$ —	$40,016
Total financial liabilities	$67,036	$ (27,020)	$ 40,016	$ —	$ —	$40,016

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

The gross gains (losses) reclassified from accumulated other comprehensive income to net income, and gains (losses) recognized in net income, are included as components of interest expense. The Company’s interest rate swap agreements had effects on its consolidated statements of income and comprehensive income for the three months ended March 31, 2014 and 2013 as follows:

	March 31, 2014		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income To Interest Expense
Interest rate swap agreements designated as cash flow hedges	$138	$ 654	$ (2,664)
Derivative instruments not designated as hedges	$5,189		

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	March 31, 2013		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income to Interest Expense
Interest rate swap agreements designated as cash flow hedges	$—	$ (505)	$ (4,995)
Derivative instruments not designated as hedges	$6,657		

The ineffectiveness related to the interest rate swap agreements designated as cash flow hedges was not material for the three months ended March 31, 2014 and 2013.

8. Other Assets

Other assets were comprised as follows:

	March 31, 2014	December 31, 2013
Upfront fee (a)	$136,250	$140,000
Inventory of repossessed vehicles	137,648	129,323
Manufacturer subvention payments receivable (a)	111,075	55,579
Derivative assets (Note 7)	46,666	29,875
Indemnification payments receivable (b)	8,603	8,603
Other	81,451	46,925
	$521,693	$410,305

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

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

9. Income Taxes

The Company makes its best estimate to arrive at an expected annual effective tax rate; this rate is evaluated quarterly or more frequently if deemed necessary. In arriving at an expected annual effective tax rate, the Company does not consider unusual or infrequent events; discrete events are accounted for in the period in which they occur and may cause a variation from the normal relationship between income tax expense and pre-tax net income.

The Company recorded income tax expense of $48,041 (37.1% effective tax rate) and $152,798 (34.6% effective tax rate) during the three months ended March 31, 2014 and 2013, respectively. The effective tax rate increased primarily due to the non-recurrence of a partial release of a valuation allowance during the three months ended March 31, 2013.

Significant judgment is required in evaluating and reserving for uncertain tax positions. Although management believes adequate reserves have been established for all uncertain tax positions, the final outcomes of these matters may differ. Reserves for uncertain tax positions are adjusted as events occur and as new information arises. Reserves are released as statutes of limitations close. Additional interest on uncertain tax positions is accrued quarterly. The provision for income taxes includes a reserve for uncertain tax positions as well as the associated penalties and net interest accrued.

The Company is currently under audit in various tax jurisdictions for various years. Although the outcomes are uncertain, a reserve for potential liabilities has been established based on the best available information as to the audit outcomes. As audits are finalized, any excess reserves are released or any additional liabilities due exceeding reserves are expensed at the time the outcome is made known. Management does not believe the outcome of any current tax audits, individually or combined, will have a material effect on the results of operations. Reserves for potential tax assessments are included in the provision for income taxes.

10. Commitments and Contingencies

In connection with the sale of retail installment contracts through securitizations, the Company has made standard representations and warranties customary to the consumer finance industry. Violations of these representations and warranties may require the Company to repurchase loans previously sold. As of March 31, 2014, the Company had no repurchase requests outstanding. In the opinion of management, the potential exposure of other recourse obligations related to the Company's retail installment contract sales agreements will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

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

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

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

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

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

The Company has a flow agreement with Bank of America whereby the Company is committed to sell up to $300,000 of eligible loans to the bank each month through May 31, 2018. The Company retains servicing on all sold loans and will receive or pay a servicer performance payment if yields, net of credit losses, on the loans are higher or lower, respectively, than expected at origination.

The Company has an agreement with Santander Bank N.A. ("SBNA," formerly Sovereign Bank), a subsidiary of SHUSA, whereby the Company provides SBNA the first right to review and assess Chrysler dealer lending opportunities and, if SBNA elects, to provide the proposed financing. The Company provides servicing on all loans originated under this arrangement. The Company received a $9,000 referral fee in June 2013 in connection with this arrangement and is amortizing the fee into income over the ten-year term of agreement. The Company also will receive or pay a servicer performance payment if yields, net of credit losses, on the loans are higher or lower, respectively, than expected at origination. At the end of each quarter, the Company has the first right to originate loans in an amount equal to the amount of originations the Company made during the quarter due to SBNA decline or a failure to timely respond. Throughout the year, these amounts aggregate if the Company does not exercise its right of first refusal. At the end of each year, any amounts not used expire and do not roll over to the next year. As of March 31, 2014 and December 31, 2013, approximately $347,247 and $202,494 had been originated by SBNA under this agreement, and SCUSA had not exercised its right to originate additional loans.

The Company also has agreements with SBNA to service recreational and marine vehicle portfolios. These agreements call for a periodic retroactive adjustment, based on cumulative return performance, of the servicing fee rate to inception of the contract. The adjustment for the three months ended March 31, 2014 and 2013 was a downward adjustment of $1,920 and zero, respectively.

The Company also provides SBNA with the first right to review and approve consumer vehicle lease applications. As of March 31, 2014, the Company was required to make SBNA whole on approximately $36,187 of leases that had been originated by SBNA under this program but were subsequently determined not to meet SBNA's underwriting requirements.

On July 3, 2013, the Company entered into a purchase agreement and amended a servicing agreement with a peer-to-peer unsecured lending platform company from which the Company already was acquiring prime amortizing term unsecured consumer loans. Under terms of the new agreements, the Company has committed to purchase at least the lesser of $30,000 per month or 75% of the lending platform company's near-prime originations through July 2015, and the lesser of $30,000 per month or 50% of the lending platform company's near-prime originations thereafter through July 2017. This commitment can be reduced or cancelled with 90 days' notice.

Periodically, the Company is party to or otherwise involved in other legal proceedings arising in the normal course of business. The Company does not believe that there are any proceedings threatened or pending, if determined adversely, that would have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company.

11. Related-Party Transactions

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

The Company has a line of credit agreement with Santander — New York Branch (Note 5). Interest expense on these lines of credit totaled $24,874 and $6,494 for the three months ended March 31, 2014 and 2013, respectively. Accrued interest was $10,119 and $11,435 at March 31, 2014 and December 31, 2013, respectively.

During the first quarter of 2014, the Company established a line of credit agreement with SHUSA (Note 5). Interest expense on this line of credit totaled $363 for the three months ended March 31, 2014. Accrued interest was $213 as of March 31, 2014.

The Company has a letter of credit facility with Santander — New York Branch (Note 10). Letter of credit fees for the used and unused portions, which are included as a component of interest expense, totaled $125 and $144 for the three months ended March 31, 2014 and 2013, respectively. Accrued fees totaled $125 and $128 at March 31, 2014 and December 31, 2013, respectively.

The Company has derivative financial instruments with Santander and affiliates with outstanding notional amounts of $12,580,549 and $10,461,378 at March 31, 2014 and December 31, 2013, respectively (Note 7). Interest expense on these agreements, which is included as a component of interest expense, totaled $8,881 and $4,874 for the three months ended March 31, 2014 and 2013, respectively.

During 2013, the Company sold approximately $222,384 of the Company's receivables from dealers to SBNA. The Company continues to service these loans but the loans are not subject to the servicer performance payment that applies to dealer loans originated under the SBNA flow agreement, described in Note 10. Servicing fee income recognized on receivables from dealers sold to SBNA or originated by SBNA totaled $1,265 for the three months ended March 31, 2014, including $464 in servicer performance payments on loans originated by SBNA. Other information on the dealer loan portfolio serviced for SBNA as of March 31, 2014 and December 31, 2013 is as follows:

	March 31, 2014	December 31, 2013
Total serviced portfolio	$676,856	$513,684
Cash collections due to owner	$8,830	$6,941
Servicing fees receivable	$997	$817

The Company also has agreements with SBNA to service auto retail installment contracts and recreational and marine vehicle portfolios. Servicing fee income recognized under these agreements totaled $865 and $6,214 for the three months ended March 31, 2014 and 2013, respectively. Other information on the serviced auto loan and retail installment contract portfolios for SBNA as of March 31, 2014 and December 31, 2013 is as follows:

	March 31, 2014	December 31, 2013
Total serviced portfolio	$1,096,905	$1,175,566
Cash collections due to owner	$32,698	$32,831
Servicing fees receivable (refundable)	$661	$(3,163)

During 2014, the Company entered into a flow agreement with SBNA whereby SBNA has the first right to review and approve Chrysler Capital consumer vehicle lease applications. SCUSA may review any applications declined by SBNA for the Company's own portfolio. The Company provides servicing and receives an origination fee on all leases originated under this agreement. Origination and service fee income recognized on leases originated and serviced for SBNA totaled \$3,685 and \$94, respectively, for the three months ended March 31, 2014. Other information on the consumer vehicle lease portfolio serviced for SBNA as of March 31, 2014 is as follows:

Total serviced portfolio	$	241,878
Cash collections due to owner	$	260
Origination and servicing fees receivable	$	4,780
Lease originations receivable	$	16,123

Produban Servicios Informaticos Generales S.L., a Santander affiliate, is under contract with the Company to provide professional services, telecommunications, and internal and/or external applications. Expenses incurred, which are included as a component of data processing, communications and other expenses, totaled \$22 and \$38 for the three month periods ended March 31, 2014 and 2013, respectively.

During the three months ended March 31, 2014, the Company originated \$704 in unsecured revolving loans under terms of entered into a Master Services Agreement (MSA) with a company in which it has a cost method investment and holds a warrant to increase its ownership if certain vesting conditions are satisfied. The MSA enables SCUSA to review credit applications of retail store customers.

The Company paid expenses totaling zero and \$381 for the three months ended March 31, 2014 and 2013, respectively, on behalf of the former managing member of the investment partnerships described in note 8. The former managing member is an investor in Auto Finance Holdings.

12. Computation of Basic and Diluted Earnings per Common Share

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

We have excluded 28,000 employee stock option awards from the calculation of earnings per share for the three months ended March 31, 2014, because the effect would be anti-dilutive.

	Three Months Ended March 31,	
	2014	2013
Earnings per common share		
Net income attributable to SCUSA	81,466	290,402
Weighted average number of common shares outstanding before restricted participating shares (in thousands)	347,518	346,165
Weighted average number of participating restricted common shares outstanding (in thousands)	584	—
Weighted average number of common shares outstanding (in thousands)	348,102	346,165
Earnings per common share	$0.23	$0.84
Earnings per common share - assuming dilution		
Net income attributable to SCUSA	81,466	290,402
Weighted average number of common shares outstanding (in thousands)	348,102	346,165
Effect of employee stock-based awards (in thousands)	8,223	—
Weighted average number of common shares outstanding - assuming dilution (in thousands)	356,325	346,165
Earnings per common share - assuming dilution	$0.23	$0.84

13. Fair Value of Financial Instruments

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

	March 31, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents (a)	$112,835	$112,835	$10,531	$10,531
Receivables held for sale (b)	171,466	176,425	82,503	83,344
Retail installment contracts held for investment, net (c)	21,087,173	21,644,945	20,219,609	21,465,236
Unsecured consumer loans, net (d)	1,000,545	1,071,108	954,189	1,187,286
Receivables from dealers held for investment (e)	108,200	108,200	94,745	94,745
Restricted cash (a)	1,830,392	1,830,392	1,563,613	1,563,613
Notes payable — credit facilities (f)	9,573,726	9,573,726	8,099,773	8,099,773
Notes payable — secured structured financings (g)	15,783,587	15,924,794	15,195,887	15,565,013

(a) Cash and cash equivalents and restricted cash — The carrying amount of cash and cash equivalents, including restricted cash, approximated fair value at March 31, 2014 and December 31, 2013, due to the short maturity of these instruments and is considered a Level 1 measurement.

(b) Receivables held for sale — Receivables held for sale are carried at the lower of cost or market, as determined on an aggregate basis. The estimated fair value is based on the prices obtained or expected to be obtained in the subsequent sales and is considered a Level 1 measurement.

(c) Retail installment contracts held for investment — Retail installment contracts are carried at amortized cost, net of loan loss allowance. The estimated fair value is calculated based on estimated market rates for similar contracts with similar credit risks and is considered a Level 3 measurement.

(d) Unsecured consumer loans, net — Unsecured consumer loans are carried at amortized cost, net of loan loss allowance. Carrying value approximates fair value for unsecured revolving loans because the loans are short term in duration, do not have a defined maturity date and/or are at a market-based interest rate. For unsecured amortizing loans, the estimated fair value is calculated based on estimated market rates for similar loans with similar credit risks and is considered a level 3 measurement.

(e) Receivables from dealers held for investment — Receivables from dealers held for investment are carried at amortized cost, net of loan loss allowance. The estimated fair value is calculated based on estimated market rates for similar receivables with similar credit risks and is considered a Level 3 measurement.

(f) Notes payable — credit facilities — The carrying amount of notes payable related to revolving credit facilities is estimated to approximate fair value as of March 31, 2014 and December 31, 2013. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements. The fair value of notes payable is considered a Level 3 measurement.

(g) Notes payable — secured structured financings — The estimated fair value of notes payable related to secured structured financings is calculated based on market quotes for the Company's publicly traded debt and estimated market rates currently available from recent transactions involving similar debt with similar credit risks, and is considered a Level 2 measurement.

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

	Fair Value Measurements at March 31, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — trading interest rate caps (a)	$43,599	$ —	$ 43,599	$ —
Assets — cash flow hedging interest rate swaps (a)	$2,497	$ —	$ 2,497	$ —
Assets — trading interest rate swaps (a)	$570	$ —	$ 570	$ —
Liabilities — trading options for interest rate caps (a)	$43,680	$ —	$ 43,680	$ —
Liabilities — cash flow hedging interest rate swaps (a)	$4,727	$ —	$ 4,727	$ —
Liabilities — trading interest rate swaps (a)	$26,775	$ —	$ 26,775	$ —
Total return swap (b)	$—	$ —	$ —	$ —

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

(a) The valuation of swaps and caps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurement of its derivatives. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings and guarantees. Effective January 1, 2012, the Company made an election to use the exception in ASC 820-10-35-18D (commonly referred to as the "portfolio exception") with respect to measuring counterparty credit risk for instruments (Note 7).

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

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

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

Fair Value Measurements at March 31, 2014			
Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		(Level 1)		
Assets — repossessed vehicle inventory	$137,648	$ —	$ 137,648	$ —
TDRs that have subsequently defaulted (Note 3)	$49,502	$ —	$ —	$ 49,502

	Fair Value Measurements at December 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — repossessed vehicle inventory	$129,323	$ —	$ 129,323	$ —
TDRs that have subsequently defaulted (Note 3)	$40,619	$ —	$ —	$ 40,619

The Company estimates the fair value of its repossessed vehicle inventory using historical auction rates and current market levels of used car prices. TDRs that have subsequently defaulted but are currently active are written down to estimated collateral value less cost to sell.

14. Employee Benefit Plans

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

Stock options granted have an exercise price based on the estimated fair market value of the Company's common stock on the grant date. The stock options expire after ten years and include both time vesting options and performance vesting options. The fair value of the stock options is amortized into income over the vesting period as time and performance vesting conditions are met. Under the Management Shareholder Agreements entered into by certain employees, no shares obtained through exercise of stock options could be transferred until the later of December 31, 2016, and the Company's execution of an IPO (the later date of which is referred to as the Lapse Date). Until the Lapse Date, if an employee were to leave the Company, the Company would have the right to repurchase any or all of the stock obtained by the employee through option exercise. If the employee were terminated for cause (as defined in the Plan) or voluntarily left the Company without good reason (as defined in the Plan), in each case, prior to the Lapse Date the repurchase price would be the lower of the strike price or fair market value at the date of repurchase. If the employee were terminated without cause or voluntarily left the Company with good reason, in each case, prior to the Lapse Date the repurchase price is the fair market value at the date of repurchase. Management believes the Company's repurchase right caused the IPO event to constitute an implicit vesting condition and therefore did not record any stock compensation expense until the date of the IPO, January 23, 2014.

On December 28, 2013, the Board approved certain changes to the Plan and the Management Shareholders Agreement, including acceleration of vesting for certain employees, removal of transfer restrictions for shares underlying a portion of the options outstanding under the Plan, and addition of transfer restrictions for shares underlying another portion of the outstanding options. All of the changes were contingent on, and effective upon, the Company's execution of an IPO and, as such, became effective upon pricing of the IPO on January 22, 2014. Also on December 28, 2013, the Board established the Omnibus Incentive Plan, which enables the Company to grant awards of nonqualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units and other awards that may be settled in or based upon the value of the Company's common stock up to a total of 5,192,640 common shares. As of March 31, 2014, the Company had granted 583,890 shares of restricted stock to certain executives under terms of the Omnibus Incentive Plan. Compensation expense related to this restricted stock is recognized over a five-year vesting period, with $604 recorded for the three months ended March 31, 2014.

On January 23, 2014, the Company executed an IPO, in which selling stockholders offered and sold to the public 85,242,042 shares of common stock at a price of $24.00 per share. The Company received no proceeds from the initial public offering. Stock-based compensation expense totaling $117,770 related to vested options was recognized upon the IPO, including expense related to accelerated vesting for certain executives of $33,845.

During the three months ended March 31, 2014, the Company granted additional stock options from the Management Equity Plan to certain executives, other employees, and an independent director, with an estimated fair value of $15,210, which will be recognized over the five-year vesting period of the awards.

A summary of the Company's stock options and related activity as of and for the three months ended March 31, 2014 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value

	(in whole dollars)			
Options outstanding at January 1, 2014	23,910,062	$ 9.81	8.0	
Granted	1,434,834	24.03		
Exercised	(2,816,093)	9.55		(40,918)
Expired	—	—		
Forfeited	(333,177)	9.91		
Options outstanding at March 31, 2014	22,195,626	10.76	7.9	295,677
Options exercisable at March 31, 2014	15,745,500	9.87	7.8	223,821

15. Accumulated Other Comprehensive Loss

A summary of changes in accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2014 and 2013 is as follows:

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total	Unrealized gains (losses) on cash flow hedges (a)	Unrealized gains (losses) on investments available for sale (a)	Total
Beginning balance	$(2,853)	$ —	$(2,853)	$(12,416)	$ 3,252	$(9,164)
Other comprehensive income (loss) before reclassifications	412	—	412	(319)	(1,135)	(1,454)
Amounts reclassified out of accumulated other comprehensive income (loss) (b)	1,676	—	1,676	3,153	(321)	2,832
Ending balance	$(765)	$ —	$(765)	$(9,582)	$ 1,796	$(7,786)

(a) Amounts in this table are net of tax

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

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
Reclassification	Amount reclassified	Income statement line item	Amount reclassified	Income statement line item
Cash flow hedges:				
Settlements of derivatives	$2,664	Interest expense	$4,995	Interest expense
Tax expense (benefit)	(988)		(1,842)	
Net of tax	$1,676		$3,153	
Investments available for sale:				
Discount accretion	$—		$(508)	Interest expense
Tax expense (benefit)	—		187	
Net of tax	$—		$(321)	

16. Subsequent Events

On April 2, 2014, SCUSA expanded its unsecured personal lending business by executing an additional agreement with LendingClub Corporation, whereby SCUSA has the first opportunity to review for its own portfolio applications that do not meet either the public credit policy or custom credit policy facilitated by Lending Club's platform.

On April 22, 2014, SCUSA entered into an agreement with a technology company, GreenSky Trade Credit, LLC, whereby GreenSky will facilitate SCUSA’s origination of turn-down loans in the retail home improvement space.

On April 22, 2014, SCUSA executed an application transfer agreement with an original equipment manufacturer (OEM), whereby SCUSA will provide nonprime retail auto financing through a turn-down program for new and used vehicles for the OEM’s customers and dealers in the U.S.

On May 1, 2014, SCUSA’s Board of Directors declared a cash dividend of $0.15 per share to be paid on May 30, 2014 to shareholders of record as of the close of business on May 12, 2014.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Background and Overview

We are a full-service, technology-driven consumer finance company focused on vehicle finance and unsecured consumer lending products. We believe that, since our founding in 1995, we have achieved strong brand recognition in the nonprime vehicle finance space. We mainly originate loans indirectly through manufacturer-franchised and selected independent automotive dealers, as well as through relationships with national and regional banks and OEMs. We also directly originate and refinance vehicle loans online. In February 2013, we entered into a ten-year agreement with Chrysler whereby we originate private-label loans and leases under the Chrysler Capital brand. With this agreement, we are now the preferred financing provider for all of Chrysler’s retail consumers, including both prime and nonprime customers. From May 1, 2013, the effective date of the agreement, through March 31, 2014, 30% of our retail installment contract origination volume has been prime, as compared to only 14% in 2012, the last full year prior to our entry into the agreement. In addition, we have several relationships through which we provide unsecured consumer loans, and we have recently expanded into private label credit cards and other consumer finance products. We generate revenues and cash flows through interest and other finance charges on our loans and leases. We also earn servicing fee income on our serviced for others portfolios, which consist of loans that we service but do not own and do not report on our balance sheet.

We have demonstrated significant access to the capital markets by funding our operations through securitization transactions and committed credit lines. We raised a total of over $26 billion of ABS for the years ended 2010 through 2013, and we have been the largest issuer of retail auto ABS in 2011, 2012, 2013, and year-to-date in 2014. We have significant bank funding relationships, with third-party banks and Santander currently providing approximately $15.4 billion and $4.8 billion, respectively, in committed financing. In addition, we have flow agreements in place with Bank of America and SBNA to fund Chrysler Capital business. We have produced consistent, controlled growth and robust profitability in both growth periods and economic downturns. We have been profitable every year for the past ten years, we delivered an average return on assets of 3.7% from 2009 to 2013 and a return on total common equity of more than 27% in each of those years.

Economic and Business Environment

Consistent with indicators throughout 2013, the U.S. economy continued its slow-paced recovery during the first quarter of 2014. According to the Bureau of Labor Statistics, unemployment remained at 6.7% throughout the quarter. The Federal Reserve continues to taper its bond purchases. After a slow start to the year due to poor weather conditions, vehicle sales were strong in March and are on pace to total 16.4 million for the year. Wholesale used vehicle prices also rose near the end of the quarter and are up over 3% year over year.

Regulatory Matters

The U.S. lending industry is highly regulated under various U.S. federal laws, including the Truth-in-Lending, Truth-in-Savings, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practices Service Members Civil Relief, and Unfair and Deceptive Practices Acts, as well as various state laws. We are subject to inspections, examinations, supervision, and regulation by each state in which we are licensed, the Consumer Financial Protection Bureau (“CFPB”), and the Federal Trade Commission. In addition, because our largest shareholder is a bank holding company, we are subject to certain bank regulations, including oversight by the Office of the Comptroller of the Currency, the Bank of Spain, and the Federal Reserve, which may have the ability to limit certain of our activities, such as the timing and amount of dividends and certain transactions that we might otherwise desire to enter into, such as merger and acquisition opportunities, or to impose other limitations on our growth.

Dodd-Frank Wall Street Reform and Consumer Protection Act

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

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

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

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

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

Certain banks and bank holding companies, including SHUSA, are required to perform a stress test and submit a capital plan to the Federal Reserve on an annual basis, and to receive a notice of non-objection to the plan from the Federal Reserve before taking capital actions, such as paying dividends, implementing common equity repurchase programs, or redeeming or repurchasing capital instruments. As a consolidated subsidiary of SHUSA, SCUSA is included in SHUSA's stress tests and capital plans. On March 26, 2014, the Federal Reserve announced that, based on qualitative concerns, it objected to, and is requiring resubmission of, SHUSA's capital plan. This action could have a negative impact on SCUSA.

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

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

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

SCUSA does not have any activities, transactions, or dealings with Iran or Syria which require disclosure. The following activities are disclosed in response to Section 13(r) with respect to affiliates of the Company through its relationship with Santander. During the period covered by this quarterly report:

- A Santander UK plc (Santander UK) entity holds frozen savings and current accounts for three customers resident in the U.K. who are currently designated by the U.S for terrorism. The accounts held by each customer were blocked after the customer's designation and have remained blocked and dormant throughout 2013 and the first quarter 2014. No revenue was generated by Santander UK on these accounts.
- A U.K. company maintained two commercial accounts at Santander UK that were used to provide payroll processing services for a UK entity that is currently designated by the U.S. under the Iran sanctions regime. The accounts may have been used to provide payroll services to other Iranian clients. Santander UK became aware of this account activity in September 2013 and exited the relationship in January 2014. No revenue was generated by Santander UK on these accounts.

- An Iranian national, resident in the UK, who is currently designated by the U.S. and the UK under the Iranian Financial Sanctions Regulations and the NPWMD designation held a mortgage with Santander UK that was issued prior to any such designation. No further draw-down has been made (or would be allowed) under this mortgage although Santander UK continues to receive repayment installments. In the first quarter 2014, total revenue in connection with the mortgage was £14,750 while net profits were negligible relative to the overall profits of Santander UK. Santander UK does not intend to enter into any new relationships with this customer, and any disbursements will only be made in accordance with applicable sanctions. The same Iranian national also holds two investment accounts with Santander Asset Management UK Limited. The accounts remained frozen throughout 2013 and the first quarter of 2014. The investment returns are being automatically reinvested, and no disbursements have been made to the customer. Total revenue for Santander in connection with the investment accounts was £23,017, while net profits in the first quarter of 2014 were negligible relative to the overall profits of Santander.

In addition, Santander has certain legacy export credits and performance guarantees with Bank Mellat, which is included in the US Department of the Treasury's Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List. Bank Mellat entered into two bilateral credit facilities in February 2000 in an aggregate principal amount of €25.9 million. Both credit facilities matured in 2012. In addition, in 2005, Santander participated in a syndicated credit facility for Bank Mellat of €15.5 million, which matures on July 6, 2015. As of March 31, 2014, Santander was owed €3.6 million under this credit facility.

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

Santander also has certain legacy performance guarantees for the benefit of Bank Sepah and Bank Mellat (stand-by letters of credit to guarantee the obligations - either under tender documents or under contracting agreements - of contractors who participated in public bids in Iran) that were in place prior to April 27, 2007. However, should any of the contractors default in their obligations under the public bids, Santander would not be able to pay any amounts due to Bank Sepah or Bank Mellat because any such payments would be frozen pursuant to Council Regulation (EU) No. 961/2010.

In the aggregate, all of the transactions described above resulted in approximately €60,400 gross revenues and approximately €43,000 net loss to Santander in the first quarter 2014, all of which resulted from the performance of export credit agencies rather than any Iranian entity. Santander has undertaken significant steps to withdraw from the Iranian market such as closing its representative office in Iran and ceasing all banking activities therein, including correspondent relationships, deposit taking from Iranian entities and issuing export letters of credit, except for the legacy transactions described above. Santander is not contractually permitted to cancel these arrangements without either (i) paying the guaranteed amount - which payment would be frozen as explained above (in the case of the performance guarantees), or (ii) forfeiting the outstanding amounts due to it (in the case of the export credits). As such, Santander intends to continue to provide the guarantees and hold these assets in accordance with company policy and applicable laws.

How We Assess Our Business Performance

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

- Net financing income — We track the spread between the interest and finance charge income earned on our assets and the interest expense incurred on our liabilities, and continually monitor the components of our yield and our cost of funds. In addition, we monitor external rate trends, including the Treasury swap curve and spot and forward rates.
- Net credit losses — Each of our loans and leases is priced using our risk-based proprietary models. The profitability of a loan is directly connected to whether or not the actual net credit losses are consistent with forecasted losses; therefore, we closely analyze credit performance. We perform this analysis at the vintage level for individually acquired retail installment contracts and at the pool level for purchased portfolios, enabling us to pinpoint drivers of any unusual or unexpected trends. We also monitor recovery rates, both industry-wide and our own, because of their contribution to the severity of our charge offs. Additionally, because delinquencies are an early indicator of future net credit losses, we analyze delinquency trends, adjusting for seasonality, to determine whether or not our loans are performing in line with our original estimation.
- Operating expenses — We assess our operational efficiency using our cost-to-income ratio. We perform extensive analysis to determine whether observed fluctuations in operating expense levels indicate a trend or are the nonrecurring impact of large projects. Our operating expense analysis also includes a loan- and portfolio-level review

of origination and servicing costs to assist us in assessing profitability by pool and vintage.

Because volume and portfolio size determine the magnitude of the impact of each of the above factors on our earnings, we also closely monitor 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

Reorganization

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

Initial Public Offering

On January 23, 2014, we completed an initial public offering (IPO) in which certain shareholders sold to the public 85,242,042 shares of Class A common stock at a public offering price of $24.00 per share. We received no net proceeds from the offering.

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 were required to meet specific transition milestones related to market penetration rates, approval rates, dedicated staffing, and service-level standards for the initial year following launch. If the transition milestones were not met in the first year, the agreement could terminate and we could lose the ability to operate as Chrysler Capital. We recently agreed with Chrysler that these milestones have been met to Chrysler’s satisfaction as of the end of the first year, April 30, 2014, and that the Agreement will continue in effect. We must continue to meet penetration and approval rate targets and maintain service-level standards or the agreement can be terminated. Our penetration rate targets, which are measured as of the end of each year of the Chrysler Agreement (April 30), for years one through five of the Chrysler Agreement are 31%, 44%, 54%, 64% and 65%, respectively. Our penetration rate for the three months ended March 31, 2014 was 38%. During the period from the May 1, 2013 launch of the Chrysler Capital business through April 30, 2014, we originated over $12 billion of Chrysler Capital retail installment contracts and facilitated the origination of over $4 billion of Chrysler Capital vehicle leases. 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.

In addition to the various flow agreements established in 2013, in February 2014 we entered into a lease flow agreement with SBNA, whereby we provide SBNA with the first right to review and approve consumer vehicle lease applications. We continue to service the leases originated under this agreement. As of March 31, 2014, $245 million had been originated under this agreement.

In 2014, we have made two bulk loan sales of prime Chrysler Capital loans to Citizens Bank of Pennsylvania (CBP) (a subsidiary of RBS Citizens Financial Group) totaling $526 million. We continue to service these sold loans.

Other OEM Relationships

In April 2014, SCUSA executed an application transfer agreement with an OEM, whereby SCUSA will provide nonprime retail auto financing through a turn-down program for new and used vehicles for the OEM’s customers and dealers in the U.S.

Unsecured Lending

In April 2014, SCUSA expanded its unsecured personal lending business by executing an additional agreement with LendingClub Corporation, whereby SCUSA has the first opportunity to review for its own portfolio applications that do not meet either the public credit policy or custom credit policy facilitated by Lending Club's platform.

In April 2014, SCUSA also signed an agreement with a technology company, GreenSky Trade Credit, LLC, whereby GreenSky will facilitate SCUSA’s origination of turn-down loans in the retail home improvement space.

Stock Compensation

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

The fair value of the stock options is amortized into income over the vesting period as time and performance vesting conditions are met. Prior to the amendments that took effect upon the IPO, all options had a restriction such that until the later of an IPO or December 31, 2016, if an option holder terminated employment, we had the right to repurchase any or all of the stock obtained by the employee through option exercise. If the employee was terminated for cause or voluntarily left the Company without good reason, the repurchase price would be the lower of the strike price or fair market value at the date of repurchase. If the employee was terminated without cause or voluntarily left the Company with good reason, the repurchase price would be the fair market value at the date of repurchase. Management believes the Company’s repurchase right caused the IPO event to constitute an implicit vesting condition. The Company recognized approximately $118 million of this expense on a pre-tax basis upon occurrence of the IPO, with an additional $25 million to be recognized over the remaining vesting period.

Upon and since the IPO, we granted additional options to certain executives, other employees, and our two independent directors under terms of the Management Equity Plan. The fair value of additional options granted through March 31, 2014 is approximately $15 million and is being amortized into income over the vesting period as time and, if applicable, performance vesting conditions are met.

In December 2013, we granted restricted shares to certain executives under the Santander Consumer USA Inc. Omnibus Incentive Plan (the “Omnibus Incentive Plan”). The Omnibus Incentive Plan is administered by our Board of Directors and enables us to grant awards of nonqualified and incentive stock options, stock appreciation rights (“SARs”), restricted stock awards, restricted stock units and other awards that may be settled in or based upon the value of our common stock up to a total of 5,192,640 common shares.

The 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. As of March 31, 2014, the Company had granted 583,890 shares of restricted stock to certain executives under terms of the Omnibus Incentive Plan. Compensation expense related to this restricted stock of approximately $12 million, based on the estimated fair market value of our common stock on the grant date, will be recognized over a five-year vesting period, with $0.6 million recorded for the three months ended March 31, 2014.

Our Reportable Segment

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

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 months ended March 31, 2014 and 2013 have been as follows:

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
	(Dollar amounts in thousands)			
Retail installment contracts	$5,612,636		$2,684,891	
Average APR	13.7	%	17.4	%
Average discount	2.5	%	5.9	%
Unsecured consumer loans	$107,902		$203	
Average APR	20.8	%	19.6	%
Average discount	—		—	
Receivables from dealers	$14,823		$83,080	
Average APR	3.4	%	3.7	%
Average discount	—		—	
Leases	$1,211,999		$60	

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

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

Historically, our primary means of acquiring retail installment contracts was through individual acquisitions immediately after origination by a dealer. We also periodically purchase pools of receivables and had significant volumes of these purchases during the credit crisis. While we continue to pursue such opportunities when available, we did not purchase any material pools during the three months ended March 31, 2014 and 2013. All of the retail installment contracts acquired during these periods were acquired individually. For our existing purchased receivables portfolios, which were acquired at a discount partially attributable to credit deterioration since origination, we estimate the expected yield on each portfolio at acquisition and record monthly accretion income based on this expectation. We periodically re-evaluate performance expectations and may increase the accretion rate if a pool is performing better than expected. If a pool is performing worse than expected, we are required to continue to record accretion income at the previously established rate and to record a loan loss provision to account for the worsening performance.

Selected Financial Data

	Three Months Ended		Year Ended December 31,				
	March 31, 2014	March 31, 2013	2013	2012	2011	2010	2009
	(Dollars in thousands, except per share data)						
Income Statement Data							
Interest on individually acquired retail installment contracts	$988,053	$675,618	$3,227,845	$2,223,833	$1,695,538	$1,308,728	$1,281,515
Interest on purchased receivables portfolios	68,938	135,281	410,213	704,770	870,257	734,634	218,240
Interest on receivables from dealers	1,330	1,008	6,663	7,177	14,394	24,137	5,255
Interest on unsecured consumer loans	82,008	—	128,351	—	—	—	—
Interest on finance receivables and loans	1,140,329	811,907	3,773,072	2,935,780	2,580,189	2,067,499	1,505,010
Net leased vehicle income	27,054	—	33,398	—	—	—	—
Other finance and interest income	250	2,685	6,010	12,722	14,324	9,079	5,230
Interest expense	124,446	82,997	408,787	374,027	418,526	316,486	235,031
Net finance and other interest income	1,043,187	731,595	3,403,693	2,574,475	2,175,987	1,760,092	1,275,209
Provision for loan losses on individually acquired retail installment contracts	656,706	251,641	1,651,416	1,119,074	741,559	750,625	720,938

Increase (decrease) in allowance related to purchased receivables portfolios	(20,186)	(34,448)	7,716	3,378	77,662	137,600	—
Provision for loan losses on receivables from dealers	(55)	—	1,090	—	—	—	—
Provision for loan losses on unsecured consumer loans	62,129	—	192,745	—	—	—	—
Provision for loan losses	698,594	217,193	1,852,967	1,122,452	819,221	888,225	720,938
Profit sharing	32,161	—	78,246	—	—	—	—
Other income	135,523	76,129	311,566	295,689	452,529	249,028	48,096
Operating expenses	318,448	148,874	698,958	559,163	557,083	404,840	249,012
Income before tax expense	129,507	441,657	1,085,088	1,188,549	1,252,212	716,055	353,355
Income tax expense	48,041	152,798	389,418	453,615	464,034	277,944	143,834
Net income	81,466	288,859	695,670	734,934	788,178	438,111	209,521
Noncontrolling interests	—	1,543	1,821	(19,931)	(19,981)	—	—
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$81,466	$290,402	$697,491	$715,003	$768,197	$438,111	$209,521
Share Data							
Weighted-average common shares outstanding							
Basic	348,101,891	346,164,763	346,177,515	346,164,717	246,056,761	245,781,739	245,781,739
Diluted	356,325,036	346,164,763	346,177,515	346,164,717	246,056,761	245,781,739	245,781,739
Earnings per share attributable to							

Santander Consumer USA Holdings Inc shareholders							
Basic	$0.23	$0.84	$2.01	$2.07	$3.12	$1.78	$0.85
Diluted	$0.23	$0.84	$2.01	$2.07	$3.12	$1.78	$0.85
Dividends declared per share of common stock							
Basic	$—	$—	$0.84	$2.12	$1.89	$1.63	$—
Diluted	$—	$—	$0.84	$2.12	$1.89	$1.63	$—
Balance Sheet Data							
Finance receivables and loans	22,367,384	16,734,084	21,351,046	16,265,820	16,715,703	15,032,046	7,466,267
Goodwill and intangible assets	128,447	127,508	128,720	126,700	125,427	126,767	142,198
Total assets	28,796,233	19,594,411	26,401,896	18,741,644	19,404,371	16,773,021	8,556,177
Total borrowings	25,357,313	16,529,180	23,295,660	16,227,995	16,790,518	15,065,635	7,525,930
Total liabilities	25,888,215	17,015,845	23,715,064	16,502,178	17,167,686	16,005,404	7,838,862
Total equity	2,908,018	2,578,566	2,686,832	2,239,466	2,236,685	767,617	717,315
Allowance for loan losses	2,854,947	1,844,804	2,539,430	1,774,002	1,208,475	840,599	384,396

	Three Months Ended		Year Ended December 31,				
	March 31, 2014	March 31, 2013	2013	2012	2011	2010	2009
	(Dollars in thousands, except per share data)						
her Information							
Charge-offs, net of recoveries on individually acquired retail installment contracts	$344,788	$146,391	$1,074,144	$556,925	$451,345	$432,022	$683,844
Charge-offs, net of recoveries on purchased receivables portfolios	23,523	36,494	178,932	451,529	573,788	277,345	—
Charge-offs, net of recoveries on unsecured consumer loans	38,289	—	13,395	—	—	—	—
Charge-offs, net of recoveries	406,600	182,885	1,266,471	1,008,454	1,025,133	709,367	683,844
End of period Delinquent principal over 60 days	802,133	643,023	1,102,373	865,917	767,838	579,627	502,254
End of period Gross finance receivables and loans	25,889,724	19,223,798	24,542,911	18,655,497	18,754,938	16,843,774	8,309,153
End of period Gross finance receivables,	29,252,131	19,223,858	26,822,857	18,655,497	18,754,938	16,843,774	8,309,153

loans, and leases							
Average Gross finance receivables and loans	25,394,124	18,884,019	21,740,137	18,501,710	16,282,215	12,111,969	7,266,079
Average Gross finance receivables, loans, and leases	28,213,931	18,884,034	22,501,553	18,501,710	16,282,215	12,111,969	7,266,079
Average Total assets	27,812,499	19,094,885	22,558,567	18,411,012	16,067,623	11,984,997	6,930,260
Average Debt	24,570,719	16,296,712	19,675,851	15,677,522	14,557,370	10,672,331	6,083,953
Average Total equity	2,809,838	2,417,704	2,498,831	2,312,781	916,219	850,219	594,097
tios							
Yield on earning assets	16.6 %	17.2 %	16.9 %	15.9 %	15.8 %	17.1 %	20.7
Cost of debt	2.0 %	2.0 %	2.1 %	2.4 %	2.9 %	3.0 %	3.9
Net interest margin	14.8 %	15.5 %	15.1 %	13.9 %	13.4 %	14.5 %	17.6
Efficiency ratio	27.0 %	18.4 %	18.8 %	19.5 %	21.2 %	20.2 %	18.8
Return on average assets	1.2 %	6.1 %	3.1 %	4.0 %	4.9 %	3.7 %	3.0
Return on average equity	11.6 %	47.8 %	27.8 %	31.8 %	86.0 %	51.5 %	35.3
Net charge-off ratio on individually acquired retail installment contracts	6.2 %	4.0 %	5.9 %	4.6 %	5.1 %	6.5 %	12.0
Net charge-off ratio on purchased receivables	5.3 %	3.6 %	5.9 %	7.2 %	7.9 %	5.6 %	0.0

portfolios													
Net charge-off ratio on unsecured consumer loans	12.9	%	0.0	%	3.1	%	0.0	%	0.0	%	0.0	%	0.0
Net charge-off ratio	6.4	%	3.9	%	5.8	%	5.5	%	6.3	%	5.9	%	9.4
Delinquency ratio, end of period	3.1	%	3.3	%	4.5	%	4.6	%	4.1	%	3.4	%	6.0
Tangible common equity to tangible assets	9.7	%	12.6	%	9.7	%	11.3	%	11.0	%	3.8	%	6.8
Common stock dividend payout ratio	0.0	%	0.0	%	41.6	%	102.8	%	60.6	%	91.3	%	0.0
Allowance to loans	11.0	%	9.6	%	10.3	%	9.5	%	6.4	%	5.0	%	4.6

“Yield on earning assets” is defined as the ratio of the sum of Interest on finance receivables and loans and Leased vehicle income, net of Leased vehicle expense, to Average gross finance receivables, loans and leases

“Cost of debt” is defined as the ratio of Interest expense to Average debt

“Net interest margin” is defined as the ratio of Net interest income to Average gross finance receivables, loans and leases

“Efficiency ratio” is defined as the ratio of Operating expenses to the sum of Net finance and other interest income 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 balance of the respective portfolio.

“Delinquency ratio” is defined as the ratio of End of period Delinquent principal over 60 days to End of period Gross finance receivables and loans

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

“Common stock dividend payout ratio” is defined as the ratio of Dividends declared per share of common stock to Earnings per share attributable to Santander Consumer USA Holdings Inc. shareholders

“Allowance to loans” is defined as the ratio of Allowance for loan losses to End of period Gross finance receivables and loans

Results of Operations

This MD&A should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this Report.

The following table presents our results of operations for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 31,	
	2014	2013
	(Dollar amounts in thousands)	
Interest on finance receivables and loans	$1,140,329	$811,907
Operating leases	147,123	—
Other finance and interest income	250	2,685
Total finance and other interest income	1,287,702	814,592
Interest expense	124,446	82,997
Leased vehicle expense	120,069	—
Net finance and other interest income	1,043,187	731,595
Provision for loan losses	698,594	217,193
Net finance and other interest income after provision for loan losses	344,593	514,402
Profit sharing	32,161	—
Net finance and other interest income after provision for loan losses and profit sharing	312,432	514,402
Total other income	135,523	76,129
Total operating expenses	318,448	148,874
Income before income taxes	129,507	441,657
Income tax expense	48,041	152,798
Net income	81,466	288,859
Noncontrolling interests	—	1,543
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$81,466	$290,402
Net income	$81,466	$288,859
Change in unrealized gains (losses) on cash flow hedges, net of tax	2,088	2,834
Change in unrealized gains on investments available for sale, net of tax	—	(1,456)
Other comprehensive income, net	2,088	1,378
Comprehensive income	83,554	290,237
Noncontrolling interests	—	991
Comprehensive income attributable to Santander Consumer USA Holdings Inc. shareholders	$83,554	$291,228

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Interest on Finance Receivables and Loans

	Three Months Ended			
	March 31, 2014	March 31, 2013	Increase (Decrease) Amount	Percent
	(Dollar amounts in thousands)			
Interest on individually acquired retail installment contracts	$988,053	$675,618	$312,435	46 %
Interest on purchased receivable portfolios	68,938	135,281	(66,343)	-49 %
Interest on receivables from dealers	1,330	1,008	322	32 %
Interest on unsecured consumer loans	82,008	—	82,008	—
Total interest on finance receivables and loans	$1,140,329	$811,907	$328,422	40 %

Income from individually acquired retail installment contracts increased $312 million, or 46%, from the first quarter of 2013 to the first quarter of 2014, or slightly less than the growth in the average outstanding balance of our portfolio of these contracts by 51%, due to the larger proportion of lower-yielding prime assets in our portfolio in 2014.

Income from purchased receivables portfolios decreased $66 million, or 49%, from the first quarter of 2013 to the first quarter of 2014, due to the continued runoff of the portfolios, as we have made no portfolio acquisitions since 2012. The average balance of the portfolios decreased from $4.0 billion in the first quarter of 2013 to $1.8 billion in the first quarter of 2014. 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 increased from prior year due to the origination of Chrysler Capital dealer loans for the first time beginning in second quarter 2013.

Income from unsecured consumer loans includes interest earned on our unsecured revolving and term consumer loans, substantially all of which were originated or acquired subsequent to first quarter 2013. It also includes accretion of discount on our unsecured revolving consumer loans.

Leased Vehicle Income and Expense

	Three Months Ended		
	March 31, 2014	March 31, 2013	Increase (Decrease)
	(Dollar amounts in thousands)		
Leased vehicle income	$147,123	$ —	$ 147,123
Leased vehicle expense	120,069	—	120,069
	$27,054	$ —	$ 27,054

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

Interest Expense

Three Months Ended		
March 31, 2014	March 31, 2013	Increase (Decrease) Amount