Presale:

Verizon Owner Trust 2020-C

October 22, 2020

PRIMARY CREDIT ANALYST

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. $)	Expected legal final maturity date(ii)
A	AAA (sf)	Senior	Fixed	850.0	April 21, 2025
B	AA+ (sf)	Subordinate	Fixed	58.6	April 21, 2025
C	A+ (sf)	Subordinate	Fixed	45.3	April 21, 2025

Note: This presale report is based on information as of Oct. 22, 2020. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The coupons on the tranches will be determined on the pricing date. (ii)The expected legal final maturity date accounts for the maximum two-year revolving period.

Profile

Expected closing date	Nov. 2, 2020.
Collateral	A revolving pool of wireless device payment plan agreement receivables.
Sponsor, servicer, administrator, marketing agent, and custodian	Cellco Partnership doing business as Verizon Wireless.
Depositor	Verizon ABS LLC.
Originators	Cellco Partnership doing business as Verizon Wireless, and other Verizon Communications Inc. affiliates.
Parent support provider	Verizon Communications Inc. (BBB+/Positive/A-2).
Owner trustee	Wilmington Trust N.A.
Indenture trustee and bank account provider	U.S. Bank N.A.
Issuer	Verizon Owner Trust 2020-C.
Underwriters	BofA Securities Inc., Loop Capital Markets, Mizuho Securities, and Wells Fargo Securities.

Credit Enhancement Summary

	VZOT pool								
	2020-C	**2020-A**	**2019-C**	**2019-B**	**2019-A**	**2018-A**	**2018-1**	**2017-3**	**2017-2**
Subordination (% of the initial adjusted pool balance)									
Class A	9.75	9.75	9.75	9.75	9.75	9.73	13.05	13.06	13.05
Class B	4.25	4.25	4.25	4.25	4.25	4.25	6.56	6.56	6.56
Class C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve account (%)									
Initial and target during the revolving period(i)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Target during the amortization period	1.00(i)	1.00(i)	1.00(i)	1.00(i)	1.00(i)	1.00(i)	5.00(ii)	5.00(ii)	5.00(ii)
Floor during the revolving and amortization periods(i)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Overcollateralization (% excluding the YSOA)(iii)									
Initial during the revolving period(ii)	10.50	10.50	10.50	10.50	10.50	10.50	15.50	15.50	15.50
Target during revolving period (if floor credit enhancement composition tests met)(ii)	10.50	10.50	10.50	10.50	10.50	10.50	15.50	15.50	15.50
Target during revolving period (if floor credit enhancement composition tests not met)(ii)	13.50	13.50	13.50	13.50	13.50	13.50	19.50	19.50	19.50
Target during amortization period (if floor credit enhancement composition tests met)(ii)	14.50	14.50	14.50	14.50	14.50	14.50	15.50	15.50	15.50
Target during amortization period (if pool credit enhancement composition tests not met)(ii)	17.50	17.50	17.50	17.50	17.50	17.50	19.50	19.50	19.50
Floor during the revolving and amortization periods	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total initial hard credit enhancement (% of the initial adjusted pool balance)									
Class A	21.25	21.25	21.25	21.25	21.25	21.23	29.55	29.55	29.55
Class B	15.75	15.75	15.75	15.75	15.75	15.75	23.06	23.06	23.06
Class C	11.50	11.50	11.50	11.50	11.50	11.50	16.50	16.50	16.50
YSOA discount rate (%)(iii)	6.75	8.00	7.80	8.25	9.00	9.10	8.75	8.25	8.00

Credit Enhancement Summary (cont.)

	VZOT pool								
	2020-C	2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
Estimated YSOA (% of the initial adjusted pool balance)(iii)	6.10	7.64	7.26	7.35	8.22	7.75	7.77	7.25	7.16

(i)Of the initial adjusted pool balance. (ii)Of the current adjusted pool balance. (iii)Assumed YSOA discount rate of 6.75%. The actual discount rate and YSOA will be determined at note pricing and is expected to equal at least 5.00% of the initial adjusted pool balance. VZOT--Verizon Owner Trust. YSOA--Yield supplement overcollateralization amount.

Rationale

The preliminary ratings assigned to Verizon Owner Trust 2020-C's (VZOT 2020-C's or the trust's) wireless device payment plan agreement (DPPA)-backed notes series 2020-C reflect:

- The transaction's initial revolving phase (up to two years), during which loan collections may be used to purchase additional receivables. The transaction structure includes credit enhancement tests, pool composition tests, and amortization triggers intended to limit deterioration in pool quality and credit enhancement during this period (see the Revolving Period section for more information).
- The availability, when the receivables pool meets the floor credit enhancement composition tests, of approximately 25.0%, 19.8%, and 15.6% credit support on average to the class A, B, and C notes, respectively, based on stressed break-even cash flow scenarios. These credit support levels provide coverage of approximately 6.6x, 5.2x, and 4.1x on average to the class A, B, and C notes, respectively, of our expected loss of 3.8%, assuming a worst-case pool mix. The floor credit enhancement composition tests are met when the receivables pool meets a higher credit quality threshold compared with the pool composition tests (see the S&P Global Ratings' Expected Loss Rates section for more information).
- The availability, when the receivables pool meets the pool composition tests, of approximately 27.4%, 22.2%, and 18.1% credit support on average to the class A, B, and C notes, respectively, based on stressed break-even cash flow scenarios. These credit support levels provide coverage of approximately 6.5x, 5.3x, and 4.3x on average to the class A, B, and C notes, respectively, of our expected loss of 4.2% assuming a worst-case pool mix. The pool composition tests are met when the receivables pool meets a lesser credit quality threshold compared with the floor credit enhancement composition tests (see the S&P Global Ratings' Expected Loss Rates section for more information).
- Our expectation that during the amortization phase and under a moderate ('BBB') stress scenario, the ratings on the class A and B notes would remain within one rating category of our preliminary 'AAA (sf)' and 'AA+ (sf)' ratings, respectively, and the rating on the class C notes would remain within two rating categories of our preliminary 'A+ (sf)' rating within one year. These potential rating movements are consistent with our credit stability criteria (see "Methodology: Credit Stability Criteria," published May 3, 2010).
- The credit enhancement in the form of subordination, overcollateralization, a reserve account, and the yield supplement overcollateralization amount (YSOA; see the Credit Enhancement Summary table above for more information).
- Our expectation of timely interest and full principal payments made under stressed cash flow

modeling scenarios appropriate for the assigned preliminary ratings.

- The eligibility criteria for the revolving pool being securitized.
- The transaction's floor credit enhancement composition tests, pool composition tests, credit enhancement test, amortization events, and legal structure.

The ratings are constrained by our view of the likelihood of cellular service being materially disrupted as a result of the parent company's, Verizon Communications Inc. (Verizon), wireless network becoming disaggregated or liquidated in its bankruptcy or otherwise experiencing a prolonged and major network disruption for reasons other than technology failure or natural hazard. To assess the maximum potential ratings on these ABS, our analysis first considered the actual business risk profile assessment of Verizon, coupled with a theoretical minimal financial risk profile assessment to arrive at an anchor assessment using the business and financial risk profile matrix (see "ABS: Global Framework For Assessing Operational Risks Specific To Wireless Device Payment Plan Agreements," published Dec. 6, 2017). A minimal financial risk profile assessment is assumed because Verizon's financial risk is less relevant to the wireless network's continuation in a post-bankruptcy scenario, with the network's state reflected in its business risk profile assessment.

Our analysis provides that the maximum potential ABS ratings can be up to a full rating category (three notches) higher than the anchor assessment after further consideration of those particular factors that are most relevant to the survivability of the cellular service provider's network and the likelihood of the network's continued operation by either the original cellular service provider or another entity, whether public or private.

The 'AAA' maximum rating on the VZOT 2020-C notes is one rating category above the 'aa-' anchor assessment determined by using Verizon's actual strong business risk profile assessment and a minimal theoretical financial risk profile assessment.

This elevation above the anchor assessment reflects:

- Verizon as the market leader in wireless services in the U.S., supporting the strong likelihood that its network would remain operational following a bankruptcy and would not be disaggregated and absorbed by competitors.
- Verizon's network as one of the largest in the U.S., with its 4G LTE network available to over 99% of the U.S. population, covering approximately 327 million people.
- The size and scale of Verizon's service area, with the majority of its traffic originated, transported, and terminated on-network with minimal reliance on third-party carriage.
- Verizon's network technology, which is currently at the highest standards with a good-spectrum portfolio of nearly 133 megahertz (a good mix of low, mid, and high), on average per market (following the recent CBRS auction), 56,000 cell sites, and a national fiber backbone, which consists of owned and leased fiber. However, the company's population-weighted average spectrum holdings is low relative to its peers.
- Our belief that, given Verizon's scale and wireless market share, the ongoing operation of its network over the next five years is critical to the telecommunications infrastructure in the U.S.

The potential for changes in the anchor assessment (through potential changes in Verizon's corporate business risk profile assessment), as well as changes in our view of factors (such as those noted above) that are relevant to the continued operation of Verizon's wireless network, could result in changes to the maximum potential ratings on the VZOT 2020-C notes. However, we do not expect any changes to the maximum ratings to be outside the boundaries outlined in our

"Methodology: Credit Stability Criteria," published May 3, 2010.

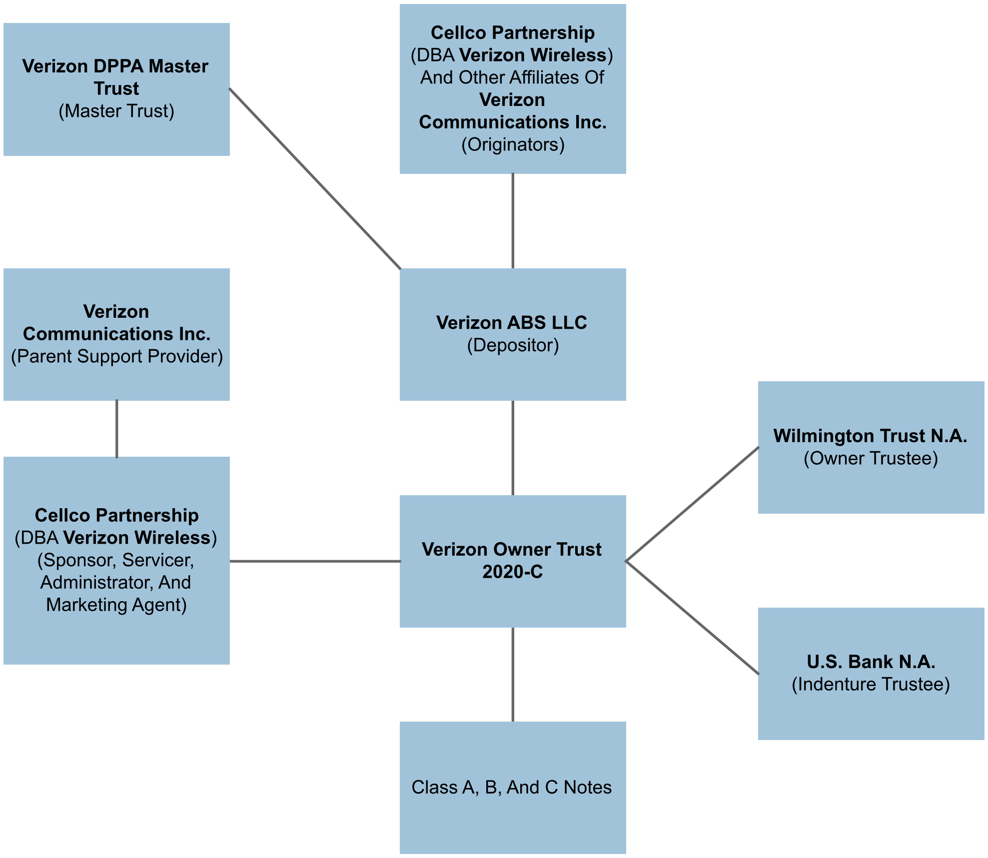
S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The current consensus among health experts is that COVID-19 will remain a threat until a vaccine or effective treatment becomes widely available, which could be around mid-2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Transaction Overview

VZOT 2020-C is the 13th term securitization of wireless DPPAs sponsored by Cellco Partnership Inc. (Cellco), a subsidiary of Verizon that is doing business as Verizon Wireless. The notes issued are backed by a revolving pool of wireless DPPAs. VZOT 2020-C is a newly created trust that will issue the notes and use the proceeds to purchase the initial DPPA receivables pool from the depositor, Verizon ABS LLC (see chart 1 for the transaction structure). The depositor will acquire the DPPA receivables from various Verizon affiliate originators and the master trust. During the revolving period, the trust may acquire additional DPPA receivables from the depositor using cash in the acquisition account. The depositor will in turn use the amounts received from the trust to acquire the additional receivables from the originators and the master trust.

Chart 1

Transaction Structure



DBA--Doing business as.

Transaction Structure

The VZOT 2020-C transaction incorporates the following structural features:

- A revolving period of up to two years, subject to certain amortization events.
- Initial overcollateralization (excluding the YSOA) of 10.50% of the adjusted pool balance that will increase to 13.50% during the revolving period if any of the floor credit enhancement composition tests are not met; and increase to 14.50%, or 17.50%, during the amortization period if any of the floor composition tests are not met. The floor of the overcollateralization target is 1.00% of the initial adjusted pool balance.
- During the amortization period, a sequential-pay waterfall that will become full turbo if an amortization event occurs that is expected to increase credit enhancement for the senior notes.

- A YSOA assumed to be approximately 7.64% of the initial adjusted pool balance that is recalculated monthly using an assumed YSOA discount rate of 6.75%, to create overcollateralization and excess spread for the transaction.
- A nonamortizing reserve account equal to 1.00% of the initial adjusted pool balance during the revolving and amortization periods.
- The floor credit enhancement composition tests, pool composition tests, credit enhancement tests, and amortization events, which are designed to maintain a minimum pool quality and credit enhancement level during the revolving period.

In rating this transaction, S&P Global Ratings will review the relevant legal matters outlined in its criteria.

Overcollateralization

Overcollateralization is the amount by which, on any determination date, the sum of the adjusted pool balance as of the end of the calendar month immediately preceding that date and the amount on deposit in the acquisition account after giving effect to the receivables acquisition on that date exceeds the aggregate note balance. Overcollateralization can vary under the following circumstances:

- For any determination date during the revolving period, other than the closing date, on which all of the floor credit enhancement composition tests are met, the overcollateralization target amount will equal the greater of the aggregate outstanding principal balance of the notes as of the related determination date divided by (1.0000-0.1050), minus the aggregate note balance; and 1.00% of the adjusted pool balance as of the closing date.
- For any determination date during the revolving period, other than the closing date, on which the pool of receivables does not meet all of the floor credit enhancement composition tests, the overcollateralization target amount will equal the greater of the aggregate note balance divided by (1.0000-0.1350), minus the aggregate note balance; and 1.00% of the adjusted pool balance as of the closing date.
- For any determination date during the amortization period on which the pool of receivables meets all of the floor credit enhancement composition tests, the overcollateralization target amount will equal the greater of 14.50% of the adjusted pool balance as of the end of the calendar month immediately preceding the determination date and 1.00% of the adjusted pool balance as of the closing date.
- For any determination date during the amortization period, on which the pool of receivables does not meet all of the floor credit enhancement composition tests, the overcollateralization target amount will equal the greater of 17.50% of the adjusted pool balance as of the end of the calendar month immediately preceding the determination date and 1.00% of the adjusted pool balance as of the closing date.
- During the revolving and amortization periods, the overcollateralization floor is 1.00% of the adjusted pool balance as of the closing date.

Changes From VZOT 2020-A

The VZOT 2020-C transaction will not contain a floating-rate class or an interest rate cap. The actual discount rate and YSOA for this transaction will be determined at note pricing and may differ from VZOT 2020-A. S&P Global Ratings did not rate the VZOT 2020-B transaction.

Transaction Participants

Originators

Cellco and other Verizon affiliates have originated (or will originate) the DPPA receivables under contracts entered into by Verizon Wireless Services LLC or another Verizon affiliate as each originator's agent.

Parent support provider

Verizon is a holding company that, acting through its subsidiaries, is a provider of communications, information, and entertainment products and services to consumers, businesses, and governmental entities. Verizon offers voice, data, and video services and solutions on its wireless and wireline networks.

Verizon will act as the parent support provider according to the parent support agreement and, as long as Cellco is the servicer, will guarantee the payment obligations of the originators, the marketing agent, and the servicer. Verizon will not guarantee any payments on the notes. The payment obligations guaranteed by Verizon include remittances related to the purchase or repurchase of receivables under the transaction documents. If the trust does not receive prepayment amounts due from the marketing agent in connection with an obligor accepting an upgrade offer, the marketing agent or the related originator (or Verizon on its behalf as parent support provider) must deposit those prepayment amounts into the collection account within five business days after notice from the indenture trustee, or it will constitute a servicer termination and amortization event.

In addition, if credit amounts granted to obligors that reduced any payment on a DPPA receivable are not remitted by the marketing agent (or Verizon on its behalf) to the trust within 10 business days after notice from the indenture trustee, a servicer termination and amortization event will occur. Finally, if the servicer allows a DPPA to be transferred to a different account, the marketing agent or the related originator (or Verizon on its behalf) must purchase that receivable from the trust within 10 business days after notice from the indenture trustee, or it will constitute a servicer termination and amortization event.

Sponsor, servicer, administrator, marketing agent

Cellco is an indirect wholly owned subsidiary of Verizon and is the transaction's sponsor, servicer, administrator, and marketing agent. Verizon Wireless is Verizon's wireless business segment, operated by Cellco and various other indirect subsidiaries of Verizon, including the originators. Verizon Wireless is the largest wireless service provider in the U.S. as measured by retail connections and revenue. As of Sept. 30, 2020, Verizon Wireless had approximately 116 million wireless retail connections, and Verizon Communications and its subsidiaries had 133,200 employees, and its portfolio of DPPAs serviced totaled $16.6 billion.

As the transaction's sponsor, Cellco is responsible for structuring the transaction, selecting the initial pool of receivables and each additional pool of receivables, and selecting the transaction parties. Cellco will also service the receivables under the transfer and servicing agreement. As the trust administrator, on each acquisition date, Cellco may identify receivables to be transferred by each originator or Verizon DPPA Master Trust to the depositor and from the depositor to the trust, as well as receivables that will be excluded from the pool of receivables on any acquisition date. In addition, as administrator, Cellco will perform all of the trust's administrative obligations under the indenture and other transaction documents. As marketing agent for the receivables, Cellco will be required to remit, or cause the related originators to remit, certain payments to the trust or take certain actions with respect to the receivables.

DPPAs

The trust assets will be a revolving pool of DPPAs for wireless devices originated by Verizon Wireless and other Verizon affiliates. Historically, Verizon Wireless customers purchased their wireless devices in full, upfront, at subsidized prices, and paid for their wireless service according to a fixed-term, two-year service plan that required an early termination fee if service was cancelled during the two-year term. Beginning in August 2013, Verizon began offering eligible customers the option to purchase their wireless devices at unsubsidized prices on an installment basis over a specified period of time.

The current device payment plan offered by Verizon includes the following terms:

- The customer pays the total retail price of the device, less any applicable down payment, over a 24-month period.
- There is a 0% annual percentage rate.
- The customer must maintain service with Verizon Wireless.
- Payments are applied first to service, then to the oldest DPPA, then to more recent DPPAs in order of origination.
- The customer may prepay in full at any time without penalty.
- As of May 2019, the grant of a purchase money security interest in the DPPA.
- Risk of loss, theft, or damage remains with the customer, and insurance is recommended but not required.
- Upon a customer default, to the extent permitted by applicable law, Verizon Wireless has the right to require the customer to pay the entire remaining balance in full.
- The customer has a 14-day cancellation right.

Pool Analysis

Tables 1-3 show the VZOT securitization pools' initial characteristics as of each transaction's statistical cutoff date.

Table 1

Collateral

	VZOT pool								
	VZOT 2020-C (i)	VZOT 2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
Number of receivables	2,656,903	3,020,473	3,497,400	3,270,621	3,512,535	3,854,933	3,539,231	4,338,523	4,080,353

Table 1

Collateral (cont.)

	VZOT pool								
	VZOT 2020-C (i)	VZOT 2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
Number of accounts	2,409,044	2,680,129	3,044,876	2,909,191	3,064,845	3,440,936	3,212,029	3,896,970	3,624,133
Aggregate principal balance ($)	1,424,137,081	1,940,115,957	2,120,188,404	2,147,431,182	2,392,197,019	2,325,960,867	2,051,912,994	2,253,460,668	2,201,991,496
Aggregate original principal balance ($)	1,974,413,424	2,207,550,645	2,540,410,971	2,449,375,935	2,650,405,397	2,774,535,342	2,438,282,791	2,751,630,423	2,608,510,029
Average monthly payment ($)	31	30	30	31	32	31	30	26	27
Weighted average remaining installments (months)	20	21	20	21	21	20	20	20	20
Weighted average FICO score	704	711	711	706	705	706	704	706	706
Receivables with obligors with a down payment (%)	8.15	7.72	7.06	7.67	7.90	6.68	7.55	7.34	5.23
Weighted average customer tenure (months)	103	103	102	98	93	94	94	93	91

(i)As of Sept. 15, 2020. VZOT--Verizon Owner Trust.

Table 2

FICO Score Distribution Of The Receivables In The Statistical Pool(i)

	% of VZOT pool								
FICO score range	2020-C(ii)	2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
250-599	17.49	15.14	14.99	16.70	17.23	16.33	16.80	15.88	15.62
600-649	11.60	10.55	11.16	11.68	11.11	11.40	11.81	12.08	12.02
650-699	13.79	13.39	14.01	14.15	13.65	14.04	14.34	14.79	14.93
700-749	15.21	15.54	15.83	15.65	15.28	15.44	15.34	15.40	15.41
750 or greater	37.78	40.39	40.15	38.43	38.42	38.09	37.59	37.53	37.60
No FICO score(iii)	4.14	4.98	3.87	3.39	4.30	4.71	4.11	4.32	4.42

Table 2

FICO Score Distribution Of The Receivables In The Statistical Pool(i) (cont.)

	% of VZOT pool								
FICO score range	2020-C(ii)	2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(i)The FICO score of the obligor is calculated on or about the date on which the receivable was originated. (ii)As of Sept. 15, 2020. (iii)Represents receivables that have obligors who did not have FICO scores because they are individuals with minimal or no recent credit history. VZOT--Verizon Owner Trust.

Table 3

Customer Tenure Distribution Of The Receivables In The Statistical Pool(i)

	% of VZOT pool								
	2020-C(ii)	2020-A	2019-C	2019-B	2019-A	2018-A	2018-1	2017-3	2017-2
Less than seven months	13.32	12.74	13.63	13.41	17.17	14.87	13.49	13.72	13.50
Seven months to less than 12 months	1.88	1.38	1.66	1.66	2.27	2.52	2.32	1.73	1.85
12 months to less than 24 months	6.31	5.90	5.62	6.61	6.12	5.78	5.95	6.12	6.47
24 months to less than 36 months	6.19	6.45	5.81	5.93	5.55	6.15	6.59	7.01	7.26
36 months to less than 48 months	5.44	5.27	5.25	5.75	5.42	5.82	5.93	5.71	5.76
48 months to less than 60 months	4.99	5.42	5.43	5.77	5.37	5.44	5.73	5.76	5.78
60 months or greater	61.86	62.84	62.61	60.86	58.09	59.42	59.98	59.95	59.39
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(i)Customer tenure reflects the number of months the customer or obligor has had a Verizon Wireless account based on the oldest active account establishment date for a customer, which may include up to 50 days of disconnected service, up to 90 days of suspended service, or longer service suspensions due to the Servicemembers Civil Relief Act. (ii)As of Sept. 15, 2020. VZOT--Verizon Owner Trust.

The transaction documents contain various pool eligibility criteria, including a requirement that obligors with tenure of 12 months or less have made at least one monthly payment on their DPPA loan. These eligibility criteria exclude first payment defaulters with tenures of 12 months or less from the pool. Historical loss performance data on shorter-tenure loan segment obligors shows higher proportions of first payment defaulters than longer-tenure loan segment obligors.

Revolving Period

The revolving period will begin on the closing date, and may continue for two years unless it terminates earlier because an amortization event occurs. While revolving, the trust will use collections on the DPPA loans to acquire additional eligible DPPA loans from the depositor. During the revolving period, the credit quality of and credit enhancement for the pool are subject to a series of two-tiered receivables eligibility criteria known as the floor credit enhancement composition (FC) and pool composition (PC) tests. The FC tests define a higher credit quality pool, as they have stricter limits on higher-risk obligors and receivables and require a higher weighted average FICO score than the PC tests.

The FC tests are:

- A weighted average FICO score of at least 700 for the receivables pool obligors (excluding receivables with obligors for whom FICO scores are not available);
- Receivables with obligors for which a FICO score is not available are not more than 4.5% of the pool balance;
- Receivables with obligors that have less than 12 months of customer tenure are not more than 22.0% of the pool balance;
- Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 12.0% of the pool balance;
- Receivables with obligors that have 60 months or more of customer tenure are at least 55.0% of the pool balance;
- Receivables with obligors that have less than 12 months of customer tenure and for which FICO scores are not available or that have FICO scores below 650 are not more than 10.0% of the pool balance;
- Receivables with obligors that have 12 or more months but less than 60 months of customer tenure, and for which FICO scores are not available or that have FICO scores below 650, are not more than 50.0% of the balance of receivables with obligors that have 12 months or more but less than 60 months of customer tenure; and
- Receivables with obligors that have 60 months or more of customer tenure and for which FICO scores are not available or have FICO scores below 650 are not more than 27.5% of the balance of receivables with obligors that have more than 60 months of customer tenure.

During revolving, so long as all of the higher credit quality (more restrictive) FC tests are met, the target overcollateralization for the pool will be 10.50% of the adjusted pool balance. If any of the FC tests are not met, then the pool may continue to revolve under the lower credit quality (less restrictive) PC tests but the target overcollateralization for the pool will increase to 13.50% of the adjusted pool balance.

The PC tests are:

- A weighted average FICO score of the obligors for the receivables pool of at least 685 (excluding receivables with obligors for whom FICO scores are not available);
- Receivables with obligors for which a FICO score is not available are not more than 5.0% of the pool balance;
- Receivables with obligors that have less than 12 months of customer tenure are not more than 28.0% of the pool balance;
- Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 15.0% of the pool balance;
- Receivables with obligors that have 60 months or more of customer tenure are at least 50.0% of the pool balance;

- Receivables with obligors that have less than 12 months of customer tenure and for which FICO scores are not available, or that have FICO scores below 650, are not more than 10.0% of the pool balance;
- Receivables with obligors that have 12 or more months and less than 60 months of customer tenure and for which FICO scores are not available, or that have FICO scores below 650, are not more than 55.0% of the balance of receivables with obligors that have 12 months or more but less than 60 months of customer tenure; and
- Receivables with obligors that have 60 months or more of customer tenure and for which FICO scores are not available, or that have FICO scores below 650, are not more than 30% of the balance of receivables with obligors that have more than 60 months of customer tenure.

If during the revolving period, an amortization event occurs, the revolving period will be terminated and the pool and notes will go into amortization with the then applicable pool composition and credit enhancement levels.

The amortization events are:

- The issuer fails to pay monthly interest due on the notes;
- The required reserve amounts or negative carry amounts are not on deposit in their respective accounts;
- The annualized, cumulative three-month gross loss rate exceeds 10.0%;
- The three-month average rate of 91-plus-day delinquencies exceeds 2.0%;
- The adjusted pool balance is less than 50.0% of the aggregate note balance;
- The overcollateralization target amount is not met;
- A servicer termination event has occurred and is continuing; or
- An event of default has occurred and is continuing.

Because failure to meet the overcollateralization target constitutes an amortization event and the credit quality of the revolving pool may meet either the FC or the PC eligibility criteria, the transaction could exit revolving and enter amortization, with either of the two pool compositions and credit enhancement levels. However, regardless of when revolving ends, the transaction would enter amortization with a credit enhancement level commensurate with the collateral pool composition.

On each acquisition date, the servicer will determine whether the credit enhancement test is satisfied. The credit enhancement test is satisfied if the adjusted pool balance as of the end of the collection period immediately preceding the acquisition date, plus any amounts in the acquisition account, minus the overcollateralization target amount then in effect, equals at least the current total note balance.

On each acquisition date, the servicer will determine whether the pool, including receivables to be purchased by the trust, satisfy the pool composition tests. If all tests are not satisfied, the servicer may identify certain receivables as temporarily excluded receivables so that the remaining receivables in the pool will satisfy the pool composition tests, but only if the overcollateralization target amount is met without including the temporarily excluded receivables. Temporarily excluded receivables are not counted in the adjusted pool balance for purposes of the credit enhancement test, and collections on them will not constitute available funds.

An acquisition account will hold collections in between purchases of additional receivables.

During the revolving period, per the transaction's payment priority, the issuer must maintain the acquisition deposit amount, equal to the excess of the note balance over the adjusted pool balance, minus the overcollateralization target amount, in the acquisition account each month from available collections.

Whenever there is a balance in the acquisition account, the negative carry account must be funded with the required negative carry amount, which is equal to 1/12th of the amount in the acquisition account multiplied by the weighted average interest rate on the notes. As noted above, the trust's failure to make the negative carry account deposit in full when required will result in note amortization.

If any amortization event occurs, all funds in the acquisition account and negative carry will be deposited into the collection account, and the transaction will enter amortization and the noteholders will receive monthly interest and principal until they are paid in full.

S&P Global Ratings' Expected Loss Rates: 3.8% (Floor Credit Enhancement Composition Tests) And 4.2% (Pool Composition Tests)

In typical amortizing transactions, we determine whether credit enhancement is sufficient to cover a base-case loss multiple that is commensurate with the preliminary ratings. We used a similar approach for this transaction, but because the DPPA loan pool can revolve for up to two years before amortizing, we assumed that the pool's composition will migrate to the lowest credit quality allowable by the floor credit enhancement composition and pool composition tests. We believe the potential length of the revolving period coupled with the short loan terms and the upgrade offers warrant this approach. As a result, our analysis examined whether there is sufficient credit enhancement to cover a loss multiple that is commensurate with the preliminary ratings, assuming a worst-case pool mix.

Static pool data by customer tenure

To determine expected loss rates to apply to our assumed worst-case mix for this transaction's DPPA receivables pool, we analyzed monthly static pool loss data segmented by the customer's tenure as a Verizon Wireless customer (see table 4). Customer tenure reflects the number of months the customer or obligor has had a Verizon Wireless account based on their oldest active account establishment date, which may include up to 50 days of disconnected service, up to 90 days of suspended service, or longer service suspensions due to the Servicemembers Civil Relief Act. Based on our analysis of the static pool data, we view the length of time that an obligor has made continuous payments as highly relevant when predicting losses. This performance data tracked the dollar amount of DPPA losses for monthly static pools of DPPA loan originations from January 2014 (the inception of the DPPA loan program) to August 2020 by obligor tenure segment. Based on our review of the static pool data, we believe that the following loan tenure segments will experience the following base-case expected loss rates.

Table 4

Base-Case Expected Loss

DPPA loan obligor tenure (months)(i)	VZOT 2020-C base-case expected loss (% of original DPPA loan balance)	VZOT 2020-A base-case expected loss (% of original DPPA loan balance)
1-7(ii)	7.5	7.5
8-12(ii)	10.0	10.0

Table 4

Base-Case Expected Loss (cont.)

DPPA loan obligor tenure (months)(i)	VZOT 2020-C base-case expected loss (% of original DPPA loan balance)	VZOT 2020-A base-case expected loss (% of original DPPA loan balance)
13-24	7.5	7.5
25-36	5.0	5.0
37-48	3.5	3.5
49-60	2.5	2.5
61 or more	1.25	1.25

(i)Tenure reflects the number of months the customer or obligor has had a Verizon Wireless account based on their oldest active account establishment date, which may include up to 50 days of disconnected service, up to 90 days of suspended service, or longer service suspensions due to the Servicemembers Civil Relief Act. (ii)The base-case expected loss was derived from static pool data excluding first payment defaulters, which are more prevalent in the one- to seven-month and eight- to 12-month obligor tenure buckets because the transaction's eligibility criteria require DPPA obligors in these two tenure segments to have made at least one loan payment. DPPA--Device payment plan agreement.

Once we determined a base-case expected loss for each tenure segment, we determined hypothetical pools comprising DPPA loan obligor tenure segments that maximized the overall loss rate on the pools under the floor credit enhancement composition and pool composition tests. These two pool tests specify, among other eligibility criteria, limits to various combinations of loan tenure segments during the revolving period (for details on the pool concentration limits, see the Revolving Period section above).

Hypothetical worst-case pool under the floor credit enhancement composition tests

We aimed to simulate the worst-possible deterioration of the pool's credit quality, in our view, given the floor credit enhancement composition tests and assuming our expected loss rates for the seven individual loan tenure segments (see table 5). Of the seven loan tenure segments, three segments collectively accounted for approximately 77% of the hypothetical worst-case pool under the floor credit enhancement composition tests:

- Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 12.0% of the pool balance.
- Receivables with obligors that have less than 12 months of customer tenure are not more than 22.0% of the pool balance.
- Receivables with obligors that have 60 months or more of customer tenure are at least 55.0% of the pool balance.

Because the first two eligibility criteria above overlap, they combine to cover 22% of the pool together.

Table 5

Eligibility Criteria For The Floor Credit Enhancement Composition Tests

Eligibility criteria for floor credit enhancement composition tests	Allocation assumption for worst-case pool mix under floor credit enhancement composition tests (%)	Base-case expected loss (% of original DPPA loan balance)
Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 12.0% of the pool balance(i)	12.0	10.0
Receivables with obligors that have less than 12 months of customer tenure are not more than 22.0% of the pool balance(ii)	10.0	7.5
Receivables with obligors that have 60 months or more of customer tenure are at least 55.0% of the pool balance(iii)	55.0	2.5
Remainder of receivables (25-36 months of tenure)(iv)	23.0	5.0
Weighted average base-case expected loss (% of hypothetical worst-case pool under the floor credit enhancement composition tests)	N/A	3.8

(i)We assumed the maximum portion of the pool permitted by the seven- to 24-month tenure eligibility (12.0%) would lose 10.0%, our highest expected loss rate for the eight- to 12-month tenure segment. (ii)We assumed the maximum portion of the pool permitted by the less than 12 months of tenure eligibility (22.0% minus 12.0% equals 10.0%), given our initial assumption, would lose 7.5%--our expected loss rate for the one- to seven-month tenure segment. (iii)We assumed the minimum portion of the pool required to comprise obligors with 60 months or more of tenure (55.0%) would lose 1.25%--our lowest expected loss rate for the more than 60-month tenure segment. (iv)We assumed the remainder of the pool (100.0% minus 77.0% equals 23.0%) comprised obligors with 25- to 36-months of tenure that would lose 5.0%, our next highest expected loss rate for a tenure segment. DPPA--Device payment plan agreement. N/A--Not applicable.

Based on our expected losses for each of the seven obligor tenure segments and assuming the worst-possible pool quality under the floor credit enhancement composition tests, we believe the pool could experience cumulative losses of approximately 3.8%.

Hypothetical worst-case pool under the pool composition tests

We aimed to simulate the worst-possible deterioration of the pool's credit quality, in our view, given the pool composition tests and assuming our expected loss rates for the seven individual loan tenure segments (see table 6). Of the seven loan tenure segments, three segments collectively accounted for approximately 78% of the hypothetical worst-case pool under the pool composition tests:

- Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 15.0% of the pool balance.
- Receivables with obligors that have less than 12 months of customer tenure are not more than 28.0% of the pool balance.
- Receivables with obligors that have 60 months or more of customer tenure are at least 50.0% of the pool balance.

Because the first two eligibility criteria above overlap, they combine to cover 28.0% of the pool together.

Table 6

Eligibility Criteria For The Pool Composition Tests

Eligibility criteria for pool composition tests	Allocation assumption for worst-case pool mix under pool composition tests (%)	Base-case expected loss (% of original DPPA loan balance)
Receivables with obligors that have seven months or more but less than 24 months of customer tenure are not more than 15.0% of the pool balance(i)	15.0	10.0
Receivables with obligors that have less than 12 months of customer tenure are not more than 28.0% of the pool balance(ii)	13.0	7.5
Receivables with obligors that have 60 months or more of customer tenure are at least 50.0% of the pool balance(iii)	50.0	2.5
Remainder of receivables (25-36 months of tenure)(iv)	22.0	5.0
Weighted average base-case expected loss (% of hypothetical worst-case pool under the pool composition tests)	N/A	4.2

(i)We assumed the maximum portion of the pool permitted by the seven- to 24-month tenure eligibility (15.0%) would lose 10.0%--our highest expected loss rate for the eight- to 12-month tenure segment. (ii)We assumed the maximum portion of the pool permitted by the less than 12 months of tenure eligibility (28.0% minus 15.0% equals 13.0%), given our initial assumption, would lose 7.5%--our expected loss rate for the one- to seven-month tenure segment. (iii)We assumed the minimum portion of the pool required to comprise obligors with 60 months or more of tenure (50.0%) would lose 1.25%--our lowest expected loss rate for the more than 60-month tenure segment. (iv)We assumed the remainder of the pool (100.0% minus 78.0% equals 22.0%) comprised obligors with 25-36 months of tenure that would lose 5.0%, our next highest expected loss rate for a tenure segment. DPPA--Device payment plan agreement. N/A--Not applicable.

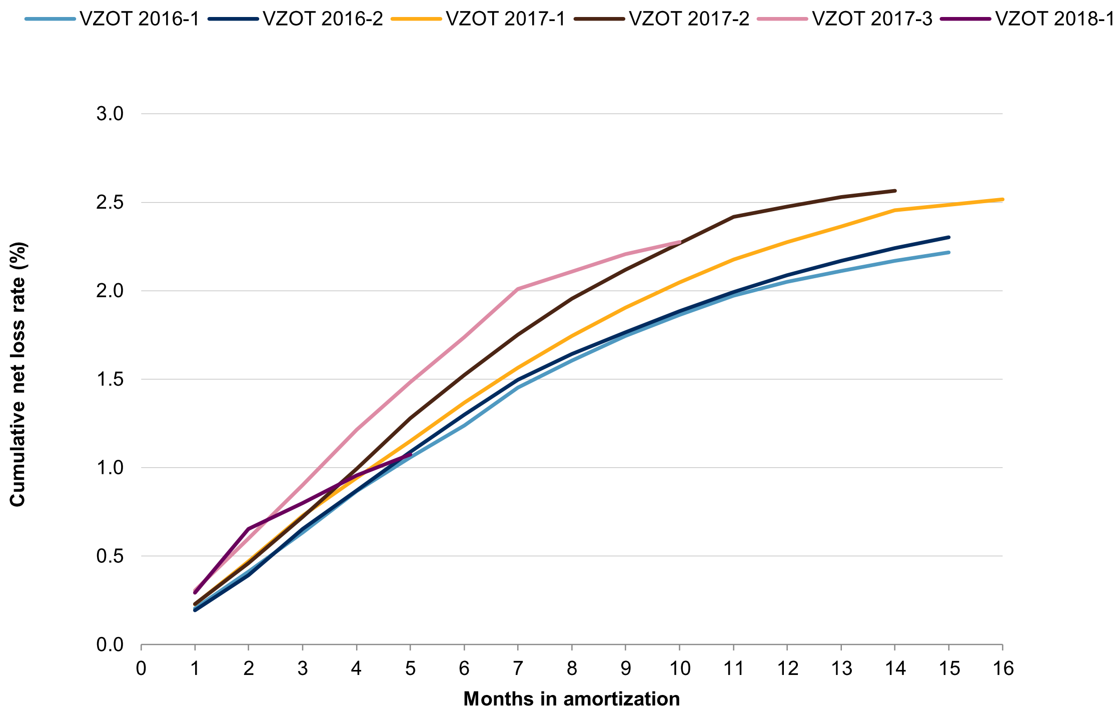
Based on our expected losses for each of the seven obligor tenure segments and assuming the worst-possible pool quality under the pool composition tests, we believe the pool could experience cumulative losses of approximately 4.2%.

Existing Verizon Transaction Performance

For comparison purposes, we reviewed the performance of the six Verizon term transactions that have entered their amortization periods. The cumulative loss and amortization rates for each of the six trust collateral pools are very similar and underscore the similar eligibility criteria and consistent loss performance of the wireless DPPA trust pools securitized by Verizon to date (see charts 2 and 3).

Chart 2

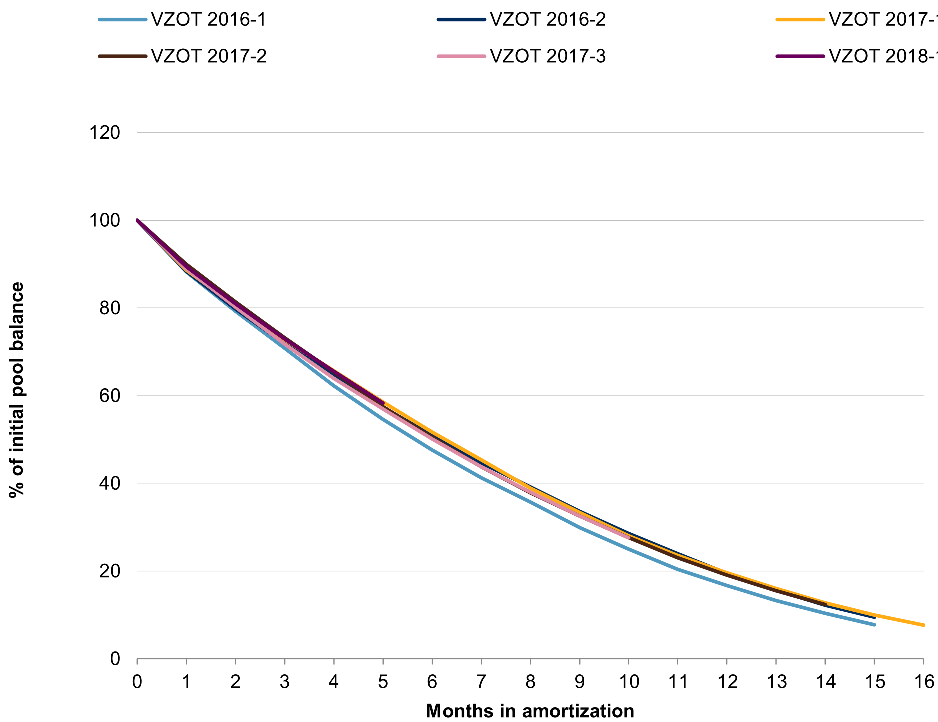
VZOT Transactions In Amortization - Cumulative Net Loss Rate



VZOT--Verizon Owner Trust.

Chart 3

VZOT Transactions In Amortization - Pool Factor



VZOT--Verizon Owner Trust.

Payment Structure

The payment priority provides that the DPPA receivables collections will be used to make the distributions shown in table 7. In addition, the funds in the reserve account will be available to cover senior fees and interest shortfalls during the revolving period and to make priority principal payments during any amortization period. The reserve account is also available to make principal payments that are due on the notes' legal final maturity dates. During the revolving period, funds in the negative carry account will be available to cover senior fees, interest shortfalls, reserve replenishment, and the acquisition deposit amount.

Table 7

Payment Waterfall

Priority	Payment
1	Indenture trustee, owner trustee, and asset representations reviewer fees and additional expenses and indemnities capped at $400,000 in aggregate per year.
2	The 0.75% annual servicing fee and a one-time servicing engagement fee of $150,000 to a successor servicer.
3	Class A note interest, pro rata.

Table 7

Payment Waterfall (cont.)

Priority	Payment
4	During the amortization period, first-priority principal payment (if the class A notes' balance is greater than the adjusted pool balance).
5	Class B note interest.
6	During the amortization period, second-priority principal payment (if the class A and B notes' balance is greater than the adjusted pool balance after any first priority principal payments are made).
7	Class C note interest.
8	During the amortization period, third-priority principal payment (if the class A, B, and C notes' balance is greater than the adjusted pool balance after any first and second priority principal payments are made).
9	During the amortization period, regular priority principal payment to the noteholders, sequentially by class and pro rata within each class.
10	If an amortization event has occurred, all remaining amounts, sequentially by class.
11	Excess of $425,000 over the servicing fee (see item 2 above) to a successor servicer.
12	Restore the reserve account to its required amount.
13	During the revolving period, the acquisition deposit amount to the acquisition account.
14	During the revolving period, the required negative carry deposit amount to the negative carry account.
15	To the noteholders, any make-whole payments due on the notes, sequentially by class.
16	Any unpaid trustee and asset representations reviewer fees and expenses.
17	Issuer expenses identified by the administrator on the issuer's behalf.
18	Any remainder to the residual interest holder.

The regular priority principal payment in item 9 above is designed to pay the notes down sequentially by class during the amortization period after maintaining or building overcollateralization to the applicable overcollateralization target amount, which if all of the floor credit enhancement composition tests are met is the greater of 14.50% of the current adjusted pool balance and the overcollateralization floor of 1.00% of the initial adjusted pool balance. However, if during amortization, any of the floor credit enhancement composition tests are not met, the overcollateralization target amount is required to increase to the greater of 17.50% of the current adjusted pool balance and the overcollateralization floor. During the revolving period, interest is scheduled to be paid monthly on the notes; but, since no principal is due, no payment will be made in item 9. However, item 13 will provide for the pool to revolve into additional DPPA loans while maintaining the applicable overcollateralization target amount.

Verizon Wireless Upgrade Program

Verizon Wireless may offer promotions that allow customers to upgrade their current wireless devices, subject to the terms of the related offer. We expect that cell phone upgrades will be offered to, and accepted by, DPPA obligors in the trust. Accordingly, we ran cash flow scenarios to simulate different amounts of upgrades, which constitute prepayments to the trust (see the Cash Flow Modeling Assumptions And Results section).

Verizon Wireless may offer new upgrade offers at any time, with terms and conditions to be determined at the time of the offer, and any such upgrade offers may be terminated at any time at the sole option of Verizon Wireless. If Verizon Wireless continues to offer the upgrade program, the upgrade offer has not been terminated, and an obligor accepts the upgrade offer and satisfies all of the resulting upgrade contract's terms and conditions, the marketing agent, Cellco, must pay off, or cause the related originator to pay off, the remaining original DPPA loan balance.

The transaction documents provide that as long as Cellco is the servicer, the failure of an originator, the marketing agent, or the guarantor (Verizon) to pay the remaining balance of the original DPPA loan (or any upgrade payment) for five business days will constitute a servicer termination event. Such failure to pay will also cause the servicer and the marketing agent to terminate the upgrade program within 10 business days of the guarantor receiving notice from the indenture trustee that an upgrade payment was due. Our analysis does not rely on the originator's, marketing agent's (Cellco's), or the guarantor's ability to pay the remaining balance of the upgrading obligor's original DPPA loan, nor does it rely on the upgrade program's termination. However, we acknowledge that such a consequence to nonpayment helps to mitigate and limit the program's risks. To assess the potential risks we believe the upgrade program poses to this transaction, we explored several hypothetical nonpayment scenarios.

The first hypothetical scenario we analyzed is one in which the DPPA obligor accepts an upgrade offer but subsequently fails to pay off the remaining original DPPA loan balance after the phone is deemed unsatisfactory by Verizon Wireless. Because upgrades that occur at a Verizon Wireless store are only completed if the phone is found to be satisfactory, we focused on the scenario where a DPPA obligor applies for an upgrade through an indirect channel, such as online. In this scenario, the obligor mails the phone to Verizon Wireless for inspection, the phone is found to be unsatisfactory, and the obligor is notified as such but fails to pay the remaining balance of their DPPA loan, which is due in full on the next monthly bill.

We believe the risk of nonpayment to the trust under this scenario is addressed because these failures to pay are reflected in the historical static pool loss data we reviewed and used to size expected losses for the pool. In addition, the actual level of phone rejections through the indirect upgrade channel is low. Further, Verizon Wireless retains all of its servicing and collection tools to compel payment of the outstanding loan balance, up to and including the suspension of phone service.

The second hypothetical scenario we analyzed is one in which the DPPA obligor satisfactorily completes all conditions of the upgrade offer, but the applicable originator or marketing agent by itself, or on behalf of the applicable originator that made the offer, fails to pay off the original DPPA loan's outstanding balance. As Verizon guarantees the marketing agent's payment obligations, we extended this scenario to include Verizon's failure to pay on the marketing agent's behalf. For this hypothetical scenario, we received legal comfort from an opinion provided by Verizon's counsel. The opinion concluded that upgrading a DPPA obligor's obligation to make the payments required by the applicable DPPA loan remains enforceable against that DPPA obligor, even if the obligor satisfactorily completes all of the conditions to an upgrade offer but the applicable originator or the marketing agent fails to perform the originator's obligation under the upgrade contract to pay off the receivable's then-outstanding balance.

The third hypothetical scenario we analyzed is one in which Cellco or another originator, as debtor-in-possession after a Chapter 11 bankruptcy case commences, continues the upgrade program, enters into an upgrade contract with a DPPA obligor, and the DPPA obligor satisfies its obligations under the upgrade contract; however, the originator fails to make the upgrade payment for the outstanding balance of the DPPA obligor's loan. For this hypothetical scenario, we received legal comfort from a bankruptcy opinion provided by Verizon's counsel. The opinion concluded that the securitization trust could enforce the original DPPA loan against the obligor; and the obligor, in turn, would have a claim in recoupment against the originator for damages resulting from the originator's failure to perform, which the obligor may use to offset payments owed to the originator on the new DPPA loan.

The transaction documents contain eligibility criteria to prevent the trust from acquiring, during the revolving period, a new DPPA loan, which could be subject to recoupment and offset by the obligor because the marketing agent failed to pay off the remaining balance of that obligor's prior upgrade. Based on the above analysis and the fact that the transaction documents include provisions to facilitate the recoupment process described in the opinion, we believe the risks associated with the upgrade program have been appropriately addressed.

Verizon Payment Credits

Cellco, as the servicer, can grant credits to Verizon Wireless customers' accounts as incentives to promote phone sales and establish or maintain accounts and service with Verizon Wireless. The eligibility criteria for this transaction permit the trust to acquire DPPAs with such credits. When payment credits reduce DPPA loan cash flow to the trust, either the marketing agent, related originator, or guarantor must reimburse the trust. While we do not assume that any of these parties reimburse the trust, the transaction documents provide that their failure to do so after the applicable grace period constitutes a servicer termination event, resulting in the servicer's removal and the termination of further payment credits.

The eligibility criteria for this transaction permit the inclusion of DPPA loans with contingent, recurring payment credits. These credits are applied in equal amounts to each monthly account phone bill over the DPPA loan's term rather than as upfront, larger amounts to the first few subsequent monthly phone bills, as was the case for the 2016 VZOT transactions. The credits are contingent on the customer's payment and active account status over the DPPA loan term. We believe the application of these smaller monthly payment credit amounts over the full term of the DPPA loan will decrease the dilution of DPPA loan cash flow to the trust, compared with the older 2016 and 2017 VZOT transactions, because the frequency and severity of the smaller monthly payment credit amount exceeding the monthly service charge are less.

We sized the credit enhancement for diluted cash flow to the trust based on historical static pool data reflecting the reduction in DPPA loan balance under the former upfront, lump-sum application of payment credits described above. These historical data show a greater reduction in DPPA loan balance than a similar amount of payment credit applied in smaller, recurring amounts over the DPPA loan term. The credit enhancement we sized for payment credit dilution is therefore conservative. We expect to see the level of future dilution reflected in the historical data over time decrease as payment credits are applied in a recurring manner.

Regarding the specific level of dilution, we analyzed historical credit dilution data for monthly static pools provided by Verizon that show the periodic and cumulative dollar amount of account credits granted as a percentage of monthly DPPA dollar originations from January 2014 through August 2020. Based on these historical data, we assumed that 0.20% of the loan pool balance could be granted as an account credit in a given month before the servicer was removed for its (or the marketing agent's or parent support provider's) failure to make the payment and reimburse the trust. We then stressed this expected amount using appropriate rating multiples per our criteria. Our cash flow break-even loss levels were sufficient to cover these stressed dilution levels.

Cash Flow Modeling Assumptions And Results

We modeled the VZOT 2020-C transaction to simulate 'AAA', 'AA', and 'A' rating stress scenarios (see tables 8 and 9). We modeled the transaction at the beginning of the amortization period assuming the 10.50% initial overcollateralization level with a target of 14.50% and with the hypothetical worst-case pool assumed to be at, but not beyond, the limits of the floor credit enhancement composition tests. We also modeled the transaction at the beginning of the amortization period assuming the pool had migrated to the limits of the pool composition tests, at which time the overcollateralization was 13.50% with a target of 17.50%.

For each hypothetical worst-case pool, and at each rating category, we ran two loss curves, six prepayment scenarios, and three different interest rate scenarios. We based the interest rate scenarios on two one-month LIBOR interest rate paths (see "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019). To simulate the completion of a two-year revolving period, we began the interest rate scenarios at month 25. The application of these assumptions resulted in 36 cash flow scenarios for each rating category.

Table 8

Cash Flow Assumptions And Results: Floor Credit Enhancement Composition Tests (3.8% ECL)

	Class		
	A	B	C
Scenario	AAA	AA	A
Prepayment scenarios			
No voluntary prepayments	No voluntary prepayments; no upgrade prepayments	No voluntary prepayments; no upgrade prepayments	No voluntary prepayments; no upgrade prepayments
Upgrade 25%	At month 12 of amortization, 25% of all DPPA obligors upgrade	At month 12 of amortization, 25% of all DPPA obligors upgrade	At month 12 of amortization, 25% of all DPPA obligors upgrade
ABS voluntary prepayments (% per six months)	0.25/0.50/0.75/1.00	0.25/0.50/0.75/1.00	0.25/0.50/0.75/1.00
Loss timing (%)			
Fast loss curve (% per six months)	40/35/20/5	40/35/20/5	40/35/20/5
Slow loss curve (% per six months)	10/35/35/20	10/35/35/20	10/35/35/20
Dilution (% of total pool balance)	0.60	0.50	0.40
Approximate break-even loss levels (%)(i)	25.0	19.8	15.6

(i)The maximum cumulative losses on the pool that the transaction can withstand without triggering a payment default on the relevant class of notes. ECL--Expected cumulative loss. ABS--Absolute prepayment speed. DPPA--Device payment plan agreement.

Table 9

Cash Flow Assumptions And Results: Pool Composition Tests (4.2% ECL)

	Class		
	A	B	C
Scenario	AAA	AA	A
Prepayment scenarios			
No voluntary prepayments	No voluntary prepayments; no upgrade prepayments	No voluntary prepayments; no upgrade prepayments	No voluntary prepayments; no upgrade prepayments
Upgrade 25%	At month 12 of amortization, 25% of all DPPA obligors upgrade	At month 12 of amortization, 25% of all DPPA obligors upgrade	At month 12 of amortization, 25% of all DPPA obligors upgrade
ABS voluntary prepayments (% per six months)	0.25/0.50/0.75/1.00	0.25/0.50/0.75/1.00	0.25/0.50/0.75/1.00
Loss timing (%)			
Fast loss curve (% per six months)	40/35/20/5	40/35/20/5	40/35/20/5
Slow loss curve (% per six months)	10/35/35/20	10/35/35/20	10/35/35/20
Dilution (% of total pool balance)	0.60	0.50	0.40
Approximate break-even loss levels (%)(i)	27.4	22.2	18.1

(i)The maximum cumulative losses on the pool that the transaction can withstand without triggering a payment default on the relevant class of notes. ECL--Expected cumulative loss. ABS--Absolute prepayment speed. DPPA--Device payment plan agreement.

Sensitivity Analysis

In addition to analyzing break-even cash flows, we conducted a sensitivity analysis to see how high losses would need to rise, all else being equal, before the notes would become vulnerable to a downgrade (see table 10). As with the break-even analysis, we ran the sensitivity cash flows at the beginning of the amortization period.

Table 10

Sensitivity Analysis Summary: Moderate Loss Scenario

	Floor credit enhancement composition tests	Pool composition tests
Loss level (multiple)	2.0x worst-case expected	2.0x worst-case expected
Sensitivity loss level (%)(i)	7.9	8.7
Prepayment scenarios		
No voluntary prepayments	No voluntary prepayments; no upgrade prepayments	No voluntary prepayments; no upgrade prepayments
Upgrade 25%	At month 12 of amortization, 25% of all DPPA obligors upgrade	At month 12 of amortization, 25% of all DPPA obligors upgrade

Table 10

Sensitivity Analysis Summary: Moderate Loss Scenario (cont.)

	Floor credit enhancement composition tests	Pool composition tests
ABS voluntary prepayments (% per six months)	0.25/0.50/0.75/1.00	0.25/0.50/0.75/1.00
Loss timing (%)		
Fast loss curve (% per six months)	40/35/20/5	40/35/20/5
Slow loss curve (% per six months)	10/35/35/20	10/35/35/20

(i)Sensitivity loss level includes 0.38% dilution. DPPA--Device payment plan agreement.

Moderate loss scenario: 7.9% (floor credit enhancement composition tests); 8.7% (pool composition tests)

Under the moderate stress loss scenario, we assumed losses of approximately 2.0x our expected loss level, assuming a worst-case pool mix. All other assumptions remained the same as the break-even cash flow runs. Based on the multiple of coverage, the cash flow results of the sensitivity scenarios indicated that the down and forward interest rate scenarios were equal to, or less stressful than, the up interest rate scenarios.

In each case, the scenario results indicated a coverage multiple for each cash flow scenario and for each rated class, consistent with our credit stability criteria.

Related Criteria

- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | ABS: Global Framework For Assessing Operational Risks Specific To Wireless Device Payment Plan Agreements, Dec. 6, 2017
- General Criteria: Methodology And Assumptions For Stressed Reinvestment Rates For Fixed-Rate U.S. Debt Obligations, Dec. 22, 2016
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
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- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
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- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- U.S. Election: Promises, Policy, And The Potential Effects On The Economy And Corporate Credit, Oct. 19, 2020
- U.S. Biweekly Economic Roundup: U.S. Consumer Spending Continues To Outperform Expectations, Oct. 16, 2020
- A Double-Digit Rebound Has Begun, But It's No Time To Celebrate, Oct. 6, 2020
- COVID-19 Is Testing The Resilience Of Global Structured Finance, May 18, 2020
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016