Presale:

GreatAmerica Leasing Receivables Funding LLC (Series 2021-2)

September 23, 2021

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Preliminary Ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. $)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	108.029	Oct. 17, 2022
A-2	AAA (sf)	Senior	Fixed	152.273	March 15, 2024
A-3	AAA (sf)	Senior	Fixed	140.058	July 15, 2025
A-4	AAA (sf)	Senior	Fixed	80.072	Sept. 15, 2027
B	AA+ (sf)	Subordinate	Fixed	20.357	Sept. 15, 2027
C	A+ (sf)	Subordinate	Fixed	13.571	Sept. 15, 2028

Note: This presale report is based on information as of Sept. 23, 2021. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

Profile

Expected closing date	Oct. 7, 2021.
Collateral	Small-ticket equipment leases and loans and associated equipment.
Originator, sponsor, and servicer	GreatAmerica Financial Services Corp.
Backup servicer and indenture trustee	Wells Fargo Bank N.A.
Issuer	GreatAmerica Leasing Receivables Funding LLC.
Placement agents	Wells Fargo Securities LLC, BofA Securities Inc., and BMO Capital Markets Corp.

Credit Enhancement Summary (%)(i)

	Series 2021-2		Series 2021-1		Series 2020-1	
	Initial	Floor	Initial	Floor	Initial	Floor
Class A						
Subordination	6.25	6.25	6.25	6.25	6.25	6.25

Credit Enhancement Summary (%)(i) (cont.)

	Series 2021-2		Series 2021-1		Series 2020-1	
	Initial	Floor	Initial	Floor	Initial	Floor
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50
Total	12.00	7.75	12.00	7.75	12.00	7.75
Class B						
Subordination	2.50	2.50	2.50	2.50	2.50	2.50
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50
Total	8.25	4.00	8.25	4.00	8.25	4.00
Class C						
Overcollateralization	5.25	1.00	5.25	1.00	5.25	1.00
Reserve account	0.50	0.50	0.50	0.50	0.50	0.50
Total	5.75	1.50	5.75	1.50	5.75	1.50

(i)The credit enhancement summary doesn't include the booked residuals of approximately 4.37% for series 2021-2, 5.22% for series 2021-1, and 5.40% for series 2020-1, which are available to cover losses. The percentage of the initial pool balance uses the 1.633% statistical discount rate for series 2021-2, 1.35% for series 2021-1, and 2.75% for series 2020-1.

Rationale

The preliminary ratings assigned to GreatAmerica Leasing Receivables Funding LLC's receivables-backed notes series 2021-2 reflect:

- The availability of 13.42%, 9.67%, and 7.26% credit support 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 6.2x, 4.5x, and 3.4x the lower bound of our cumulative net loss range of 2.10%-2.20% for the class A, B, and C notes, respectively (see the S&P Global Ratings' Expected Loss section below).
- Our expectation that, under our credit stability analysis, in a moderate stress ('BBB') scenario, all else being equal, the ratings on each class of notes will remain consistent with our credit stability criteria.
- Our expectation for the timely payment of periodic interest and principal by the final maturity date according to the transaction documents, based on stressed cash flow modeling scenarios that we believe are appropriate for the assigned preliminary rating categories.
- The highly diversified collateral characteristics of the securitized pool of equipment leases and loans, including individual obligor concentrations of less than 1.50%.
- The historically consistent loss performance of GreatAmerica Financial Services Corp.'s (GreatAmerica) contract portfolio.
- Our outlook for credit quality of the small- and medium-sized businesses that represent the obligors in the pool.
- The presence of a backup servicer, Wells Fargo Bank N.A.

- The transaction's legal structure.

Changes From The Series 2021-1 Transaction

The total initial and floor hard credit enhancements for all classes remain unchanged.

The collateral changes from the series 2021-1 transaction include the following:

- The weighted average seasoning decreased slightly to 7.0 months from 8.4 months.
- The top equipment type remains office imaging, which increased slightly to 67.48% from 66.98%.
- Approximately 50% of the pool is concentrated in the highest-quality credit tiers (risk classes A and B), generally consistent with their prior transaction at 53.9%.
- The average contract balance increased to $17,407 from $15,467.
- The statistical discount rate increased to 1.633% from the final discount rate of 1.35%.
- The top 10 obligors account for 5.96% of the initial pool balance, a slight increase from 5.30%; the largest obligor concentration increased to 1.41% from 1.08%; and the top obligor concentration continues to remain below the 1.50% threshold level that we generally use to begin incorporating event risk (obligor bankruptcy) as an additive factor into our stressed loss scenarios.

Overall, the series 2021-2 pool's collateral composition is similar to that of the series 2021-1 pool, in our view, reflecting GreatAmerica's managed portfolio's high level of diversification and consistency over time. However, due to GreatAmerica's strong securitization performance that has consistently performed well below our previous expected base-case levels, we decreased our expected cumulative net loss range for the series 2021-2 pool to 2.10%-2.20%.

Environmental, Social, and Governance (ESG) Factors

Our rating analysis considered the potential exposure of the transaction to ESG credit factors. We have not identified any material ESG credit factors in our analysis. Therefore, ESG credit factors do not influence our assessment of the transaction's credit quality.

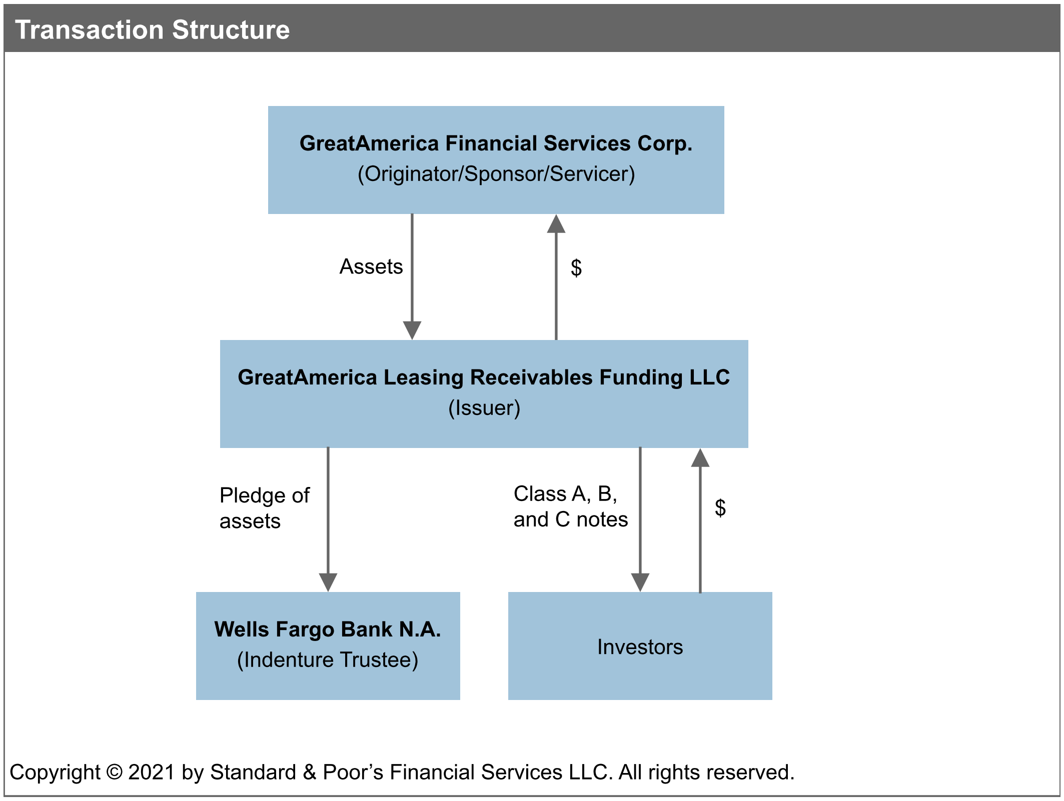
Transaction Overview

The series 2021-2 transaction is the 21st term securitization backed by GreatAmerica collateral that S&P Global Ratings has rated. We rated the most recent transaction, series 2021-1, in February 2021. The series 2021-2 transaction is structured as a true sale of the assets from GreatAmerica to GreatAmerica Leasing Receivables Funding LLC, the issuer, and as a subsequent pledge of the assets to Wells Fargo Bank N.A., the indenture trustee (see chart 1). The collateral includes scheduled payments on equipment leases and loans, as well as residual values. Principal will be paid sequentially within the class A notes and among the class A, B, and C notes.

The overcollateralization begins at a dollar amount equal to 5.25% of the initial pool balance. Overcollateralization could be released but not below a target level equal to the greater of 5.25% of the current pool balance and a fixed dollar amount floor level equal to 1.00% of the initial pool balance. The reserve account will be 0.50% of the initial pool balance and will not amortize. The first payment date will be Nov. 15, 2021.

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in our criteria.

Chart 1



Transaction Structure

The series 2021-2 transaction incorporates the following structural features:

- A sequential-pay structure that maintains the notes' amount at 94.75% of the pool balance until the overcollateralization floor is reached.
- An overcollateralization floor that causes additional principal payments to be made sequentially to the class A, B, and C notes if the overcollateralization balance is below 1.00% of the initial pool balance.
- A reserve account that is funded at 0.50% of the initial pool balance and does not amortize. In our view, the reserve account represents a level of liquid credit enhancement that is consistent with the assigned ratings, based on the low and consistent delinquencies exhibited by GreatAmerica's portfolio over a 20-year historical period, spanning multiple economic cycles; the low obligor concentrations in the pool and consistency of these concentrations over time, given the expected pool amortization; the low percentage (4.22%) of non-monthly pay contracts in the pool; and the low level of extensions and modifications historically offered by GreatAmerica.
- A reprioritization feature that pays senior note principal ahead of the class B interest in cases where the outstanding class A note principal exceeds the pool balance, and also pays senior

note principal ahead of the class C interest in cases where the sum of the class A and B outstanding principal exceeds the pool balance. This reprioritization feature results in higher break-even levels when stress assumptions are applied. On an expected-case basis, however, we believe that any reprioritization of principal is highly unlikely because gross losses over a one-month period would have to exceed an 'A' category scenario.

- A residual account that, upon a residual event, traps residual receipts to provide additional credit support against future losses. A residual event will occur upon one or more of the following: an event of default where GreatAmerica ceases to be the servicer (other than in the circumstances that permit a successor servicer by merger or acquisition); the six-month residual realization percentage (which represents the ratio of residual proceeds realized to the associated booked residual value) calculated on the related determination date is less than 75.00%; the six-month delinquency percentage (using delinquencies that are 31-plus days past due) calculated on the related determination date is greater than 4.50%; or the cumulative net loss percentage on the related determination date exceeds the loss trigger percentages (see table 1). These residual events are unchanged from the series 2021-1 transaction.

Table 1

Series 2021-2 Loss Trigger Percentages

Collection period (mos.)	Loss trigger percentage (%)
1-12	2.90
13-24	5.00
25 and thereafter	5.80

Payment Structure

The series 2021-2 distributions will be made from available funds according to the priority shown in table 2.

Table 2

Payment Priority

Priority	Payment
1	Indenture trustee monthly fee ($5,000 per year) and backup servicer monthly fee (0.02% per year), plus other amounts due to the indenture trustee and backup servicer, capped at $10,000 per month, before an event of default occurs.
2	Reimburse servicer advances and unreimbursed overpayments to the issuer in connection with GreatAmerica's like-kind-exchange program(i).
3	If a successor servicer has been appointed, transition expenses, capped at $15,000 per month.
4	Servicer fee of 0.75% per year then due and unpaid.
5	If GreatAmerica is no longer acting as servicer, excess late charges and other amounts due to GreatAmerica that are not needed to compensate any successor servicer.
6	Class A note interest, paid pro rata.
7	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the class A outstanding amount over the pool balance (reprioritization).
8	Class B note interest.

Table 2

Payment Priority (cont.)

Priority	Payment
9	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the class A and B outstanding amount (after applying the amount in item 7 above) over the pool balance (reprioritization).
10	Class C note interest.
11	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the excess of the outstanding amount (after applying the amounts in items 7 and 9 above) of all of the notes over the pool balance.
12	Deposit the required amount into the reserve account.
13	Reduce principal, based on the principal payment priority (sequential pay), by an amount equal to the principal payment amount.
14	If sufficient funds are available, not including reserve fund amounts, pay all outstanding principal in full.
15	If a residual event occurs, deposit the remaining residual receipts into the residual account.
16	Reimburse indemnity payments to the noteholders.
17	Any other amounts owed to the trustee and backup servicer not already paid above.
18	Pay any indemnity payments due to the noteholders or any other party.
19	Any remaining amounts to the issuer.

(i)GreatAmerica is no longer utilizing its like-kind-exchange program due to recent changes in U.S. federal tax law. GreatAmerica-- GreatAmerica Financial Services Corp.

Pool Analysis

As of Sept. 1, 2021, the series 2021-2 transaction's pool balance (using a 1.633% statistical discount rate) was $542.86 million (see table 3). The pool consists of 31,186 leases/loans and is significantly diversified by obligor and geographic region. The primary equipment type is office imaging (67%). Other equipment types include computer hardware, light industrial/construction, automotive repair equipment, telephone/fax equipment, and medical/dental/veterinarian. As of Sept. 1, 2021, none of the series 2021-2 contracts are currently under a deferral or extension due to a hardship from the COVID-19 pandemic.

Table 3

Collateral Comparison(i)

	Series 2021-2	Series 2021-1	Series 2020-1	Series 2019-1
Initial pool balance (mil. $)	542.86	666.56	692.78	644.45
No. of contracts	31,186	43,097	48,289	44,499
Avg. principal balance ($)	17,407	15,467	14,347	14,482
Weighted avg. original term (mos.)	55.1	54.2	54.0	54.4

Table 3

Collateral Comparison(i) (cont.)

	Series 2021-2	Series 2021-1	Series 2020-1	Series 2019-1
Weighted avg. remaining term (mos.)	48.1	45.9	45.2	45.6
Weighted avg. seasoning (mos.)	7.0	8.4	8.8	8.8
Equipment type (%)				
Office imaging	67.48	66.98	64.09	64.10
Automotive repair	6.64	7.48 (ii)	8.45 (ii)	6.85 (ii)
Top obligor (%)(iii)	1.41	1.08	1.40	1.22
Top five obligor SIC codes (%)	Services: 45.28; retail trade: 11.06; wholesale trade: 8.43; finance, insurance, and real estate: 8.21; manufacturing: 7.53	Services: 48.81; retail trade: 10.64; finance, insurance, and real estate: 8.77; wholesale trade: 8.00; manufacturing: 7.33	Services: 49.97; retail trade: 9.74; wholesale trade: 8.49 finance, insurance, and real estate: 7.59; manufacturing: 6.90	Services: 48.17; retail trade: 10.46; wholesale trade: 8.48 finance, insurance, and real estate: 7.68; manufacturing: 6.85
Top 10 obligors (%)	5.96	5.30	5.50	5.15
Largest vendor (%)	5.79	5.09	4.34	3.98
Top 10 vendors (%)	27.05	24.95	23.19	21.43
Bundled(iv) (%)	42.5	42.0	40.36	38.80
State concentration (%)	Texas: 13.90; Florida: 8.14; California: 5.98; Pennsylvania: 4.40; Georgia: 3.98	Texas: 12.78; Florida: 7.96; California: 5.76; Minnesota: 4.07; Pennsylvania: 4.05	Texas: 11.62; Florida: 6.75; California: 6.58; Iowa: 4.29; Pennsylvania: 4.24	Texas: 10.71; Florida: 7.22; California: 6.48; Iowa: 4.61; Minnesota: 4.12

(i)All percentages are of the initial pool balance (using the 1.633% statistical discount rate for series 2021-2, as well as 1.35%, 2.75%, and 4.00%, final discount rates for series 2021-1, 2020-1, and 2019-1 respectively). (ii)Computer Hardware. (iii)Represents a special-purpose entity under GreatAmerica's Partners In Leasing program. (iv)Refers to arrangements where lease payments are combined with service payments that are aggregated on the contract or invoice. SIC--Standard industrial classification.

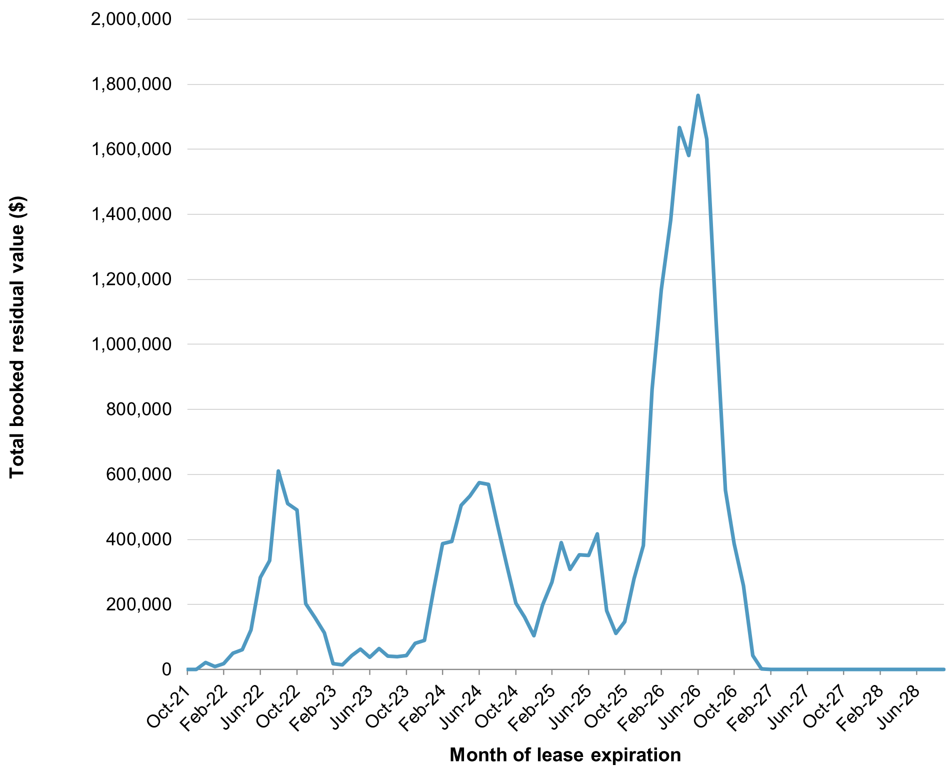
Residual Value

Residual characteristics

The collateral includes approximately $23.71 million in booked residuals that are not included in the pool balance calculation. In our cash flow modeling analysis, we assumed that a portion of these booked residuals, which equal approximately 4.37% of the $542.86 million pool balance (calculated using the 1.633% statistical discount rate), will be realized over time through equipment sales or through the obligors' continued payments for equipment use after the contract's originally scheduled expiration. The timing of booked residuals is based on the associated lease's scheduled expiration month (see chart 2). For the series 2021-1 transaction, booked residuals equaled 5.22% of the pool balance.

Chart 2

Timing Of Booked Residual Values For The Series 2021-2 Pool



Flow of residual cash flows

Residual receipts, which may be received from obligors, vendors, third parties, or directly from GreatAmerica in the case of a like-kind-exchange are deposited into the collection account along with other collections, and are available to cover losses that occur in the same monthly period. If a residual event occurs, any residual receipts that aren't used to cover losses are trapped in the residual account. Our cash flow scenarios assume that 70% of the booked residual values are realized. At lease maturity, GreatAmerica generally realizes residuals either by sale of the equipment to the lessee or, if the lessee returns the equipment, by sale to a vendor or third party. In addition, before contract maturity, some lessees seek to upgrade their equipment by making all remaining payments and by the vendor purchasing the equipment to provide the upgrade.

Managed Pool Performance

As of the five months ended Aug. 31, 2021, GreatAmerica's gross receivables totaled $2.33 billion, a very slight decrease relative to the same time period a year prior. The overall trend the past several years represent the company's continuing consistent but measured historical portfolio growth (see table 4). GreatAmerica is distinct from many other small-ticket leasing companies in that it has generally continued to grow its portfolio, even during downturns in the economic cycle, while maintaining its losses and delinquencies at relatively low and historically consistent levels. We believe this consistent performance results from GreatAmerica's adherence to conservative underwriting policies and procedures, coupled with service levels that allow the company to maintain existing customers while expanding the portfolio size without sacrificing credit quality.

Gross and net losses have been at historical lows for the past several years. In the five months ended Aug. 31, 2021, losses have declined slightly relative to the same period a year prior and remain at stable levels despite the pandemic-induced disruption to the economy in 2020. Additionally, delinquencies have declined relative to the same period a year prior, which may be partially attributed to the increase in delinquencies experienced in the first few months after the onset of the COVID-19 pandemic.

Table 4

GreatAmerica Contract Portfolio Performance

	Five months ended Aug. 31		Fiscal year ended March 31					
	2021(i)	2020(i)	2021	2020	2019	2018	2017	2016
Gross receivables at the end of the period (mil. $)	2,325.01	2,329.43	2,311.35	2,368.70	2,186.7	2,021.7	1,884.7	1,780.1
Delinquency period (%)								
31-60 days	0.60	0.81	0.66	1.57	0.98	0.88	0.76	0.79
61-90 days	0.11	0.42	0.16	0.29	0.23	0.17	0.15	0.15
More than 90 days	0.10	0.30	0.13	0.19	0.17	0.15	0.15	0.16
Total 31-plus day delinquencies as a % of the portfolio	0.81	1.53	0.95	2.06	1.38	1.21	1.06	1.10
Average net investment (mil. $)	2,248.06	2,269.29	2,262.42	2,199.58	2,036.03	1,890.45	1,769.34	1,641.37
Gross loss as a % of the average net investment	0.26	0.62	0.56	0.51	0.52	0.51	0.56	0.46
Net loss as a % of the average net investment	0.09	0.48	0.40	0.38	0.39	0.38	0.38	0.33

(i)Gross and net loss percentage annualized.

Surveillance Update

S&P Global Ratings maintains ratings on four outstanding GreatAmerica Leasing Receivables Funding LLC securitizations: series 2018-1, 2019-1, 2020-1, and 2021-1. On Oct. 28, 2020, we raised our rating on the series 2018-1 class B notes to 'AAA (sf)' from 'AA+ (sf)' and our rating on the series 2018-1 class C notes to 'AAA (sf)' from 'AA (sf)'. We also raised our rating on the series 2019-1 class B notes to 'AA+ (sf)' from 'AA (sf)' and our rating on the series 2019-1 class C notes to 'AA (sf)' from 'A (sf)' (see "Various Rating Actions Taken On Three GreatAmerica Leasing Receivables Funding LLC Transactions,"). We will continue to monitor the performance of any outstanding rated transactions and take rating actions if appropriate.

Table 5

Performance Data of Outstanding GreatAmerica Leasing Receivables Funding LLC Series As of September 2021 Distribution Date

Series	Month	Pool factor (%)	Cumulative net loss(%)	60+ day del (%)	Former lifetime CNL exp. (%)	Revised lifetime CNL exp.(i)(%)
2018-1	43	11.32	0.91	0.18	2.60-2.70	1.20-1.30
2019-1	31	31.43	0.68	0.20	2.60-2.70	1.45-1.65
2020-1	19	53.90	0.50	0.17	2.40-2.50	N/A
2021-1	7	81.08	0.06	0.09	2.40-2.50	N/A

(i)Revised October 2020. CNL exp.—cumulative net loss expectation. N/A—not applicable

S&P Global Ratings' Cumulative Net Loss: 2.10%-2.20%

Static pool gross and net losses

Given GreatAmerica's strong securitization performance that has consistently performed well below our previous expected base-case levels, we have lowered our expected cumulative net loss range to 2.10%-2.20%.

To derive the cumulative net loss for the series 2021-2 transaction, we reviewed gross and net loss quarterly static pool data for GreatAmerica's contract pool. The expected gross loss accounts for actual gross losses on fully liquidated pools and projected gross losses for pools with at least a 75% pool factor. We projected gross losses for non-fully liquidated pools using a loss curve based on the liquidated pools' average loss curve.

The cumulative net loss range of 2.10%-2.20% reflects an adjustment to the base-case gross loss by an approximately 10% stressed recovery rate. We apply a stress to GreatAmerica's historical recovery rates to account for the pool's recovery performance potentially deteriorating as a result of various factors, including if GreatAmerica is no longer the servicer.

The cumulative net loss also considers the strong performance of GreatAmerica's 20 previous securitizations including during the 2007-2009 recession. We do not adjust our cumulative net loss for the performance risk associated with bundled contracts in the pool (i.e., the risk that the provider of the services that are bundled within lease contracts fails to perform), even though the total percentage is material (42.49%), based on our view that the risk is addressed through high diversification of performance providers (i.e., vendors) in the pool. Based on our review of these data, the series 2021-2 collateral pool, and our economic outlook balanced with the better than expected securitization performance of recent transactions, our cumulative net loss range for this pool is 2.10%-2.20%.

Assumed Residual Realization: 70% Of Booked Residuals

Long history of strong residual realizations

The series 2021-2 notes benefit from approximately $23.71 million in booked residuals (or 4.37% of the $542.86 million pool balance, calculated using the 1.633% statistical discount rate). This is comparable with the previous transaction ($34.77 million or 5.22% of the series 2021-1 discounted contract balance). GreatAmerica's realization rate on booked residuals has consistently been well above 100% for the past 21 years (the 2004 to 2021 total is approximately 156% of booked residuals). Our cash flow scenarios assume a realization rate of 70% of the booked amount. Given that realized residuals are averaging over 100% of booked residuals, this 70% assumption of booked residual values translates into approximately 45%-55% credit to realized residuals. The discounted credit to residuals considers the historical realization rate and risk factors, including mismatched timing between residuals and losses, declining realization rates if GreatAmerica is no longer the servicer, and obligor defaults on underlying leases (this would convert residual realizations into recovery proceeds).

Cash Flow Modeling Assumptions And Results

Cash flow assumptions

We reviewed cash flow scenarios that were subject to a stress case commensurate with the respective assigned preliminary ratings on the notes. These scenarios included a range of loss timing curves and assumed a 10% stressed recovery rate, 70% credit-to-booked residuals, and a 1.00% servicing fee (the transaction documents define the servicing fee as 0.75%) to provide additional cushion in the event that a servicer transition is necessary (see table 6).

Table 6

Cash Flow Assumptions And Results

	Class A	Class B	Class C
Scenario (preliminary rating)	AAA (sf)	AA+ (sf)	A+ (sf)
Voluntary prepayments (%)	5	5	5
Recoveries (%)	10	10	10
Recovery lag (mos.)	4	4	4
Residual credit (%)	70	70	70
Cumulative net loss timing curve 1 (%)	46/30/16/8	46/30/16/8	46/30/16/8
Approx. break-even levels curve 1 (%)	13.42	9.67	7.26
Cumulative net loss timing curve 2 (%)	20/25/25/30	20/25/25/30	20/25/25/30
Approx. break-even levels curve 2 (%)	13.44	9.71	7.29

Stressed fees

The structure allows for fees paid in the first priority to be uncapped following certain events of default and to be subject to a higher capped level following other events of default. Consistent with our criteria, we ran our cash flow stress scenarios assuming that a nonmonetary event of default has occurred to assess the effect of higher or uncapped fees (assuming payment of a stressed level of additional fees in the first payment priority).

Cash flow results and conclusions

Because of the sequential-pay structure and strong overcollateralization and reserve floors, the loss curve's shape does not have a significant effect on the break-even results in our scenarios. Based on our cash flow analysis, the preliminary rated notes all paid timely interest and ultimate principal, and withstood a net loss level that we believe is consistent with the assigned preliminary rating categories.

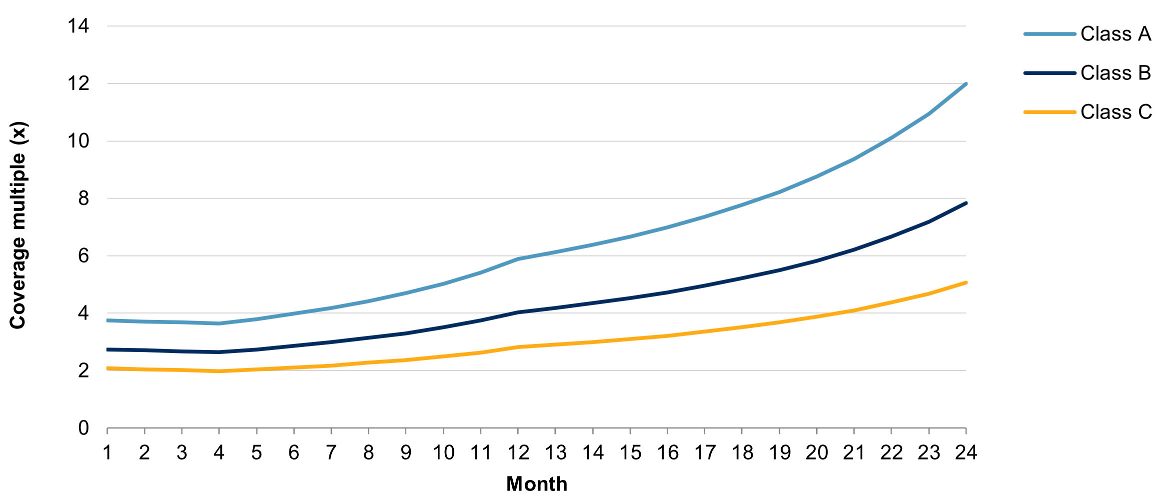
In evaluating the class A-1 note's size, which has a proposed legal final maturity date of Oct. 17, 2022, we reviewed cash flows assuming zero losses and no prepayments that showed that the class A-1 for this series pays off a few months prior to its legal final maturity date.

Sensitivity Analysis

In addition to analyzing break-even cash flows, we conducted a sensitivity analysis that included running a moderate stress scenario to determine the level of loss coverage and potential rating migration that could occur for the notes. All else being equal, our ratings will be within the credit stability limits specified by section A.4 of the Appendix contained in S&P Global Rating Definitions (see "S&P Global Ratings Definitions," published Jan. 5, 2021). The results are summarized in chart 3 below.

Chart 3

Sensitivity Analysis: % Cumulative Net Loss



3.76% loss scenario (1.75x losses)

Assuming cumulative net losses of 3.76% (approximately 1.75x our cumulative net loss), credit enhancement for the preliminary 'AAA (sf)', 'AA+ (sf)', and 'A+ (sf)' rated classes begins at 3.74x, 2.74x, and 2.07x, respectively. The multiples decline slightly during the four-month loss lag period and then increase thereafter due to deleveraging. In this moderate stress scenario, all classes of notes exhibit consistency with our credit stability criteria.

GreatAmerica

Background

GreatAmerica is a small-ticket equipment finance company headquartered in Cedar Rapids, Iowa, that has been in operation since 1992. The company has historically focused on leasing small-ticket equipment, primarily office equipment. GreatAmerica has successfully serviced each of its 20 previous securitizations since 1995. The company is distinct from many other small-ticket equipment leasing companies because it benefits from long tenure and senior management continuity. The company is predominantly family-owned at approximately 87.5%, with other employees owning 3.1% and other investors (including former employees) accounting for the remaining 9.4%.

Steady originations growth

GreatAmerica's portfolio has grown consistently since 1992, reaching $2.33 billion in gross receivables as of Aug. 31, 2021. The company's growth has been consistent but controlled, due to management's focus on maintaining conservative underwriting practices. The portfolio's growth represents the company's direct originations rather than large portfolio purchases. GreatAmerica's business is generated through its approved vendor base.

Conservative underwriting

The credit approval process employs various inputs, including credit reports, bank and trade references, and, for larger-ticket transactions, financial statements. Beginning in 2002, GreatAmerica began using an automated credit scoring model. GreatAmerica most recently enhanced the model in 2010 and revalidated it in 2019. Additional enhancements were made in March 2015. This proprietary automated credit scoring model offers various benefits, including the ability to score credits, filter credits based on specific credit parameters, and develop rich historical data that can be used to evaluate overall credit performance.

In response to the COVID-19 pandemic, GreatAmerica instituted further risk mitigation measures including updating qualifications for auto approvals and a review and evaluation by a credit analyst on a greater percentage of auto approvals.

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions, May 31, 2019
- 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

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- 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

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