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Santander Consumer USA Holdings, Inc.

Santander Consumer Company Update Call

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Jack Micenko, *SIG*

Vincent Caintic, *Stephens*

Mark DeVries, *Barclays*

Moshe Orenbuch, *Credit Suisse*

John Hecht, *Jefferies*

Arren Cyganovich, *Citigroup*

Eric Wasserstrom, *UBS*

Rick Shane, *JP Morgan*

PRESENTATION

Operator:

Hello everyone and welcome to the Santander Consumer USA Holdings Conference Call. At this time, all parties have been placed into a listen-only mode. Following today's presentation, the floor will be open for your questions. Please dial star, one to enter the question-and-answer queue.

It is now my pleasure to introduce your host Evan Black, Vice President of Investor Relations. Evan, the floor is yours.

Evan Black:

Thank you. Hello everyone and thanks for joining the call today. On the call we have Scott Powell, President and CEO, and JC, CFO.

Before we begin today, as you are aware, certain statements made today, such as projections for SC's future performance, are forward-looking statements. Actual results could be materially different from those

projected. SC has no obligation to update the info presented on this call. For further information concerning factors that could cause these results to differ, please refer to our public SEC filings.

Scott, I'll turn the call over to you now.

Scott Powell:

Great. Thanks, Evan. Thanks everyone for joining our call on short notice. I'll make some opening comments and then we'll open it up for questions.

I think everybody knows earlier today we issued a press release and an 8-K related to Chrysler Capital. Fiat Chrysler hosted its capital markets today in Italy. They made a number of statements regarding their plans for U.S. operations. More specifically, they expressed this desire to have a captive U.S. auto finance unit in the future. They also stated that they have the right to purchase Chrysler Capital and that they've begun discussions with us.

Following their announcements, we issued our statements. The key points in those statements are: We continue to operate under the 10-year contract that we have with them, and just to be really clear that agreement has not been terminated and remains in effect. Our Chrysler Capital business continues to operate in business as usual mode. Our companies are in exploratory discussions regarding their interest in establishing their own captive finance company. Acquiring Chrysler Capital is one option that they are considering.

We are committed to pursuing an outcome for Chrysler Capital that is in the best interest of our company, our shareholders and other key stakeholders.

I do want to provide you with some additional detail on basis of these discussions. Our relationship with Chrysler includes a separate agreement called the Equity Option Agreement and we'll call it EOA throughout this conversation. It was signed at the same time as the original contract between SC and Chrysler. The EOA provides Chrysler the right to purchase at fair value, an equity participation in Chrysler Capital. FCA has not exercised the EOA at this time, but our dialogue around their desire to have a captive finance company has been constructive and collaborative to date.

To give you a little update on where those conversations stand, I think you know that Chrysler Capital is not a standalone entity and isn't entirely separated within our overall business that we have. It is integrated across our operations, and just as one example, there isn't a separate Chrysler Capital technology piece; it's fully integrated. Therefore, as part of the exploratory discussions with Chrysler, they revolve around which assets, businesses and services would be considered in a potential sale and which types of services we may provide them in the future as they build out their capabilities. That's obviously a discussion we're taking on with great care. If Chrysler ultimately decides to purse Chrysler Capital to create a captive, we will receive fair value for the assets, the businesses and the services transferred. We expect that this process will likely take some time to complete.

In terms of the future of Santander Consumer, we are very confident in our current capabilities and our future for growth potential is strong, with or without Chrysler Capital. In the last 12 months, we've delivered strong results for our shareholders. We've seen our originations grow across every channel, including Chrysler and core non-prime, thanks to our efforts to improve dealer experience and continue to optimize our pricing for risk. We have improved the dealer experience pretty significantly. We've seen stable credit performance, thanks to our sound operations and our risk management over the past 12 months. We've launched digital partnerships with AUTOFI and AutoGravity and we made significant regulatory progress as well. We continue to have strong support from our parent Santander Group.

These foundations enable us to pursue a lot of different kinds of future growth opportunities, both among current and perspective customers, and that includes OEMs and dealer groups. Of course, it's too soon to tell how our conversations with Chrysler will end up, but as I said the conversations are exploratory and collaborative. Therefore, we are focused on serving our customers, and operationally speaking, we are in business as usual mode.

In closing, before we open it up for Q&A, I'm sure you're going to have a lot of very detailed questions. We will probably not be able to answer all of those questions at the level you'd like, but we're going to give it a shot and we'll try to be as helpful as we can be. I can assure you that during these discussions, we are committed to pursuing an outcome for Chrysler Capital that is in the best interest of the Company, its shareholders and other key stakeholders. I can tell you that with all the progress we have made over the last year, we remain very confident in Santander's Consumer's future.

With that, Operator, let's turn to Q&A.

Operator:

We will now open up the call for questions. Please limit yourself to one question and one follow-up question. Thank you.

Our first question comes from Kevin Barker with Piper Jaffray.

Kevin Barker:

Good morning. Thanks for setting up the call. Could you just detail how much equity and the size of the asset basis within the Chrysler Capital?

Juan Carlos Alvarez:

Yes, I'll take that one, Scott. In terms of, like Scott said, our Chrysler Capital business is not a standalone entity, we don't report it that way. It's not as if it has regulatory amount of capital assigned to it. In terms of the size of the business, just from our disclosures you'll see that the Chrysler Capital business represents a significant portion of our originations. Call it 35%+ in 2017 of our loans, and basically all of our leases come through the Chrysler Capital channel. When you look at the balance sheet, it is significantly a lower number, a lower percentage, more in the 30's because as you know our prime paper, we treat it on an originate to flow to our Santander affiliates. That's why I say lower percent of our balance sheet.

Kevin Barker:

Would there be a reason why you would have more leverage within the consolidated company versus the leverage that you would have regarding the 30% of the balance sheet that's related to Chrysler loans? Primarily because they're mostly leases and prime loans, right?

Juan Carlos Alvarez:

No, like I said, we don't split it that way and it would be speculating at this point.

Kevin Barker:

Okay.

Juan Carlos Alvarez:

Thank you.

Kevin Barker:

Then when you think about—I'm sorry—when you think about the margins generated off of the Chrysler loans versus the margins generated off the third party loans, specifically around subprime, the margins generated in the Chrysler lines, would you assume that they are lower pre-tax margins at the current time, given that they tend to be more prime and leases with lower yields versus some of the subprime loans that tend to have higher yields but more volatility?

Scott Powell:

Yes. I think that's fair to say. I think the non-Chrysler part of our book has higher returns.

Kevin Barker:

Then finally, is Chrysler required to make a payment for the underlying business or can they just exit the business entirely if they want to?

Scott Powell:

Yes. It's a great question. I want to make sure we've got this clear. The 10-year contract remains in effect and we continue to operate under that. There is no ability to unilaterally terminate that contract. Okay? Separate from that contract, we have this equity option agreement, which does give them the right to buy Chrysler Capital from us at fair value, which would effectively terminate the existing agreement, but we are not in discussions about whether we're performing under the contract or not. The discussions we're having was Chrysler all revolves around the equity option agreement that they have with us. That answer your question, I hope?

Kevin Barker:

Yes, it does. I'll get back in the queue. Thank you.

Scott Powell:

Okay.

Operator:

As a reminder we ask that you please limit yourself to one question and one follow-up question. Thank you.

We'll go next to Geoffrey Elliott with Autonomous Research.

Geoffrey Elliott:

Hi. It's Geoff from Autonomous Research. In terms of the definition Chrysler Capital within the agreement with Chrysler, can you give us a bit more detail? Does that specify the businesses, the assets, the services that are covered within Chrysler Capital, or is it left open to interpretation down the line?

Scott Powell:

Actually it's pretty specific. If you go read the equity option agreement, which is out there, what you'll see is it requires us to put into a new legal entity all the pieces and parts required to run a captive finance company going forward, and that can include existing businesses, existing services, etc., and that's something we will discuss with them as part of our ongoing discussions of what exactly would get included there, but it's pretty clear. It's not—there's no gray zone there.

Geoffrey Elliott:

To follow up on that, if you would need to put everything needed to run a captive company into a separate legal entity that they could then acquire, from your comments earlier giving that example of the tech team, it sounds like in practice that's something that's quite difficult to do, is that right? To kind of separate off a business that can operate standalone when previously everything has been integrated.

Scott Powell:

Yeah, that's exactly right. We do have some small parts of our company like our sales team, which is separated today, but you can imagine having to separate the technology team, the operations team, the risk teams, etc., to create a separate entity from what we have today and put that into a separate entity. That's why we expect there will be—assuming this transaction moves forward, there will be transition services agreements which are required to get them fully up to speed and running their own captive finance company.

Geoffrey Elliott:

Thank you.

Scott Powell:

You bet, thank you.

Operator:

We'll take our next question from Jack Micenko with SIG.

Jack Micenko:

Hi, good morning. Thanks for doing the call. I think to come around to the same question again, I think the pivotal thing here is what's the value of Chrysler Capital. How should we think about it? You paid $150 million in a nonrefundable fee in 2013. You've amortized that down, but there is a chunk of earnings coming from this business, even though it's sort of nebulous and not clearly ring-fenced, and so maybe in a normal transaction it would be worth a multiple of that. Scott, how do we think about how you should go about valuing Chrysler Capital?

Scott Powell:

Well, that's kind of—yeah, you've got it. That's the core of the conversations we're having, right? Because we have to think about this is an ongoing entity. That's what Chrysler is interested in is having their own captive finance company, so we have to show them that ongoing entity and how it would be constructed. I'll let Juan Carlos jump in here too because I'm sure he has some thoughts.

Juan Carlos Alvarez:

In terms of the—thanks, Scott. In terms of the valuation, Jack, first we're going to have to, as Scott explained, determine what business and services and assets are included, and then even though the EOA hasn't been activated, there is a framework that ensures that anything would be conducted at fair value, and just in the contract you'll see that that is defined. There's these common valuation methodologies that are applied in the industry by investment banks. We would treat it that way.

Regarding the premium, they would be—as you've said, have been amortized; we're half way through the life. The premium in this case, if there was a transaction, the premium is tied to the NPLFA, to the agreement that we have, and the agreement goes with the Chrysler Capital business that would be sold in this case.

Jack Micenko:

Okay, so don't get anchored to the it sounds like to the 150. That might be an approximation of a current book value, but you're looking at an earnings stream, more importantly. Is that the right way to think about it?

Juan Carlos Alvarez:

Don't forget that we're thinking, we're talking about discussing about assets, businesses and services, right? The platforms. You then use common valuation methodologies to figure out what fair value is for those services, assets and businesses.

Jack Micenko:

Do you envision a scenario where FCA takes those loans or leases as well, or just, I guess for lack of a better word, the plumbing?

Juan Carlos Alvarez:

We're still in exploratory discussions. All of that has to be evaluated.

Jack Micenko:

Okay, thanks.

Operator:

We'll take our next question from Vincent Caintic with Stephens.

Vincent Caintic:

Thanks. Good afternoon guys. Two questions and then I'll get back into queue. The first question is as we go through this and if you do get to an agreement on the equity option, what's the impact to capital and what would you think the timing would be and an impact to CCAR.

Juan Carlos Alvarez:

As you know, if there was to—any transaction or any capital distribution that we do goes through a regulatory process, right? We hope in just a few weeks will be catching up on how our latest submission went, but if there was a transaction and that transaction generated a higher amount of excess capital, we

would have to evaluate whether that amount of excess capital supports an extraordinary request to our regulators and go through the process that way.

Vincent Caintic:

Okay, perfect. Then the second question before I get into queue, is just maybe taking the other side. Fiat was also talking about looking at greenfield option, of starting their own, so if there's not a deal, what happens? In your view, what goes on from here?

Scott Powell:

I think you heard a lot of people—I think they may have even said it themselves in their meeting today in Italy. Obviously other folks have been writing about it. That's a long road for anybody to be on, and even the comments today, they acknowledged the best—to quote them, it would be better through an acquisition to get there by 2022, so, you know, greenfield is an option. If they do decide to do that, we go forward. We go forward with the business that we have and we would be in an even stronger position to compete for the existing financing of Chrysler vehicles. Certainly we would have the portfolios and we would continue to compete in the market for Chrysler and look for other opportunities at the same time.

Vincent Caintic:

Great, maybe just two quick follow ups on that point. First, you said the agreement holds for the next 10 years, so it's not as if Fiat Chrysler can just pull away from the agreement, they'd have to hold until about 2022 so there's, first, if that's correct. Then secondly, I guess just the idea of if Fiat Chrysler does go away, doesn't that accrete capital more quickly to your balance sheet as there's less originations? Thanks.

Scott Powell:

We're right at the midpoint of that 10-year agreement, so we've got five years to go, just for clarity. As I said, we are continually discussing our performance under that contract and their performance under that contract, and there is no unilateral ability to terminate the contract. I think that answers your contract question, and then the answer is yes, we would—if the transaction does go through, we would be accreting more capital.

Vincent Caintic:

Okay, great. I'll get in the queue again. Thank you.

Scott Powell:

You're welcome.

Operator:

We'll take our next question from Mark DeVries with Barclays.

Mark DeVries:

Yeah, thanks.

Scott Powell:

Hey, Mark.

Mark DeVries:

If a deal does go through, could you just talk us through your strategy? Do you have to shrink the business, or do you think your funnel is big enough that you can redeploy all the capital that you'd get back into new originations?

Scott Powell:

Well, I'll start and I'll let Juan Carlos finish. No, the excess capital we have today plus the excess capital from the transaction, I don't think there's any way for us to deploy that back into the business. We will have lots of opportunities to continue to grow and we'll look for other relationships, both with dealer groups and other OEMs, but we're going to have a lot of excess capital.

Juan Carlos, do you want to comment from there?

Juan Carlos Alvarez:

That's right. I think there were maybe two angles to that question. To add to the capital, like I said, we would just have to evaluate how much and whether—how we will go about the regulatory process, to request any additional capital actions.

As Scott said, we have a number of other opportunities available to us with and without Chrysler, and I think that would go certainly for the nonprime part of the business where we've demonstrated our ability to generate very profitable results through the cycle, but now more recently with our Santander flow agreements or remember in the last earnings call we talked about the new Santander Bank and a prime platform? We would be able to compete not just in nonprime but beyond that segment. But still, we could potentially, we're still talking about, like we said earlier, we're still discussing what could be if there is a transaction there perimeter of that transaction and that would obviously dictate what amount of excess capital there could …

Mark DeVries:

Okay. Just to follow-up on the equity option agreement, if you and FCA are unable to come to an agreement on what fair value is, is there a third party in that agreement who is meant to adjudicate that issue, and if there are any—if you're not happy with that outcome, kind of what recourse would you have?

Scott Powell:

Well, I'm not a lawyer but I would say look at the equity option agreement. There is a mechanism in there for each side to choose an investment banker who then chooses a third investment bank that would adjudicate the fair value determination of the transaction. I don't recall is there's any way to—I don't think that there's any way to dispute the outcome from that third party investment bank but I would have to double check that with my lawyers. I wouldn't think so.

Mark DeVries:

Okay. Is that kind of a one-sided option for them, where if they weren't happy with the outcome there they could just decide to walk where you could be compelled if they wanted to exercise that option?

Scott Powell:

I don't think—no, I don't think so. I think once it goes to that step both sides have to live with the outcome.

Mark DeVries:

Okay. Thank you.

Scott Powell:

You're welcome.

Operator:

Our next question is from Moshe Orenbuch from Credit Suisse.

Scott Powell:

Moshe, how are you?

Moshe Orenbuch:

Hi, good. How are you?

Scott Powell:

Great.

Moshe Orenbuch:

I guess I was wondering if you could talk about—I think you've talked about 12.5% capital ratio as your normal capital level in the past. Assuming you were running the business ex this Chrysler Capital, do you think that still would be 12.5%? Is that still the right capital ratio?

Juan Carlos Alvarez:

Moshe, this is JC. I'll take that one. It frankly is too soon to tell. I think you're—based on what we said earlier, maybe you're thinking about the fact that depending on what goes, the balance sheet could be a bit more nonprime in nature. Either way, we will have to go through our internal process to re-evaluate what is the right amount of capital as we've done the past many years now, several years. Hard to say at this point.

Moshe Orenbuch:

Right, but I mean you have managed the company when it was just—I mean maybe not you …

Juan Carlos Alvarez:

That's right.

Moshe Orenbuch:

But without this Chrysler Capital, so the company has been operated in that fashion. I guess I mean obviously at 12.5% (inaudible).

Juan Carlos Alvarez:

It was also before we were part of—go ahead. Finish, I'm sorry, Moshe.

Moshe Orenbuch:

I'm just saying at 12.5% that would imply $3 billion of capital. I mean even if it were higher than that by a point or two, it still would be—you still would be talking about $3.5 billion of capital or thereabouts against the 6.7 that you have today, which would be before any gain that this would result in, I guess, is I guess my point.

Juan Carlos Alvarez:

Yes, thanks. A couple of thoughts. One is that when we were operating only as a nonprime shop, certainly we were running capital assessments then, but we were operating at that time—we weren't operating at the time as part of a bank holding company. Our standards internally certainly have evolved over the years. Once we know exactly what a transaction would look like, we would have to run or update our analysis. Like you said, and like we've discussed earlier, a transaction at fair value could potentially generate a significant amount of excess capital, as you're pointing out, and at that moment we're always looking to optimize our balance sheet, looking to optimize our capital distributions through the regulatory process that we have to go through. That's what I was referring to earlier.

Moshe Orenbuch:

Great. Understood. Just a quick follow-up. In the 10-Q and -K I think you've mentioned that you believe that the value of what would be Chrysler Capital would be worth a premium to book value. FCA today said that doing this on their own by 2022, they'd only make less than one-fifth I guess of what they would make if they did an acquisition, so it kind of seems like they almost have to agree, I guess. Do you have kind of any thoughts on—I mean how did you determine that premium to book value and how should we think about it, I guess.

Juan Carlos Alvarez:

Yeah, that's a longstanding comment and analysis. We assessed that based on the equity option agreement that we have. In our assessment, that disclosure is updated. Our assessment still stands that it would be if treated—it should come out that way, but again, fair value—we say that knowing how the fair value methodology of the agreement works. I will go back to what we said earlier that that entails applying common valuation methodologies applied by investment banks in the industry. So, we still feel good about that.

Moshe Orenbuch:

Great. Thanks very much.

Juan Carlos Alvarez:

Thank you.

Operator:

We'll take our next question from John Hecht with Jefferies.

John Hecht:

Good morning, guys. Thanks very much. Most of my questions have been asked. I guess one question I have is what portion of your book that's Chrysler, whether it's leases or loans, is subvented versus Chrysler paper that you guys got in the competitive basis?

Juan Carlos Alvarez:

Sure. Think of it this way. Of the nonprime Chrysler paper that we get, none of it is subvented. The lease is mostly subvented, and then a much smaller portion of the prime paper that we get through Chrysler is subvented, significantly smaller.

John Hecht:

Okay, that's helpful. Can you give us some color on, I guess for the flow relationships, what are the economics to you? Do you get recompensated for any origination costs? Is there a gain tied to any asset that flows to the Bank?

Juan Carlos Alvarez:

Think of the flow agreement as the economics to us are basically service for others type of economics. We don't—the net income that results from that flow agreement is in line with what a servicing or net servicing income would be on those assets. Okay, so it's significantly a smaller profit than if we held it.

John Hecht:

Yes. Then, final question. Scott, it sounds like you're talking about so far discussions have been constructive or collaborative. I guess the question I would have is do you have a sense for when you might be able to express some clarity with respect to the outcome? I'm more just interested in the timing of when we might get clarity on this.

Scott Powell:

Yeah. On the face, it's really hard to tell. We are at the beginning of very exploratory discussions, and given the complexity I described in terms of creating essentially the carved out Chrysler Capital entity and what assets and services we would include in that, it's really hard to say. We're at the beginning of those discussions and they have been very collaborative. We're working together on that on a regular basis is the way I would say it.

John Hecht:

Appreciate that, guys. Thanks very much.

Scott Powell:

You're welcome.

Operator:

We'll take our next question from Arren Cyganovich with Citi.

Arren Cyganovich:

Thanks. You mentioned that the option for the equity option agreement, without that I just want to clarify, are you saying that they cannot just walk away from the contract if it's decided to do a greenfield option? Would you still have the existing agreement in place? I'm just trying to understand the different options that they have and that you have under the current agreement.

Scott Powell:

Yeah. I mean the answer is no, they can't just walk away from the contract unless there is a default and failure to cure. There's an agreement.

Arren Cyganovich:

So I mean, necessarily suggested that they would essentially have to go through the EOA or wait five years. Is that the way that you think about it?

Scott Powell:

Well, you know, there are lots of lawyers out there that folks can hire to get different opinions on things. From our perspective, we have a valid contract. We continue to operate under that contract in the spirit of great partnership. Our teams work every day on improving our performance and we have lots of discussions with them on how to improve our performance. So, from our perspective, we are living up to the spirit of the contract and hopefully will continue as a good partner for Chrysler for a long time to come.

Arren Cyganovich:

Okay. Then just lastly, if you do get separated from the Chrysler Capital agreement, would you essentially just exit the leasing business all together, or would you look for other ways to provide lease as an option?

Scott Powell:

I think it's probably too early to say what we would do there. That would be a tough one, to be honest with you.

Juan Carlos Alvarez:

Yeah, especially like we said, 100% is subvented, so...

Arren Cyganovich:

Okay, thank you.

Scott Powell:

You're welcome.

Operator:

We'll take our next question from Eric Wasserstrom with UBS.

Eric Wasserstrom:

Thanks very much. I know that many of these questions seem redundant, so I apologize if I'm repeating that in advance. I just want to make sure I understand sort of what the full range of outcomes may be. It sounds like one is the execution of the EOA and the complete transfer of assets and services to an entity which is then fully owned by Fiat Chrysler, and the other is their failure to do that. So I guess my first question is, is that correct? My follow-up question is, is there some third option wherein you stand up this entity but continue to play an ongoing role in some form as a servicer, or a liquidity provider or in some other function?

Juan Carlos Alvarez:

Yeah. Look, the discussions, the exploratory discussions that have begun are around what role Chrysler Capital might play in FCA establishing a captive. They've indicated that acquisition is one of those options, and they've defined us a end-to-end captive. Having said that, we are a good partner to FCA today. We have been and we would expect to continue to act that way, certainly through any period of transition, and we would also expect to be able to continue to compete for the business. Even today, they've indicated that a truly wholly-owned captive that wasn't 100% on that number. We compete today and we would expect to continue to compete.

Scott Powell:

Just to amplify one of the things that Juan Carlos just said, we have—our interests are absolutely aligned with Chrysler as we work through this process. It's very important for our business, it's very important for their business that we maintain focus on execution for delivering for them every day to drive their business forward. It's also critically important to ours. You can appreciate why these are collaborative discussions as we kind of—we want to work towards giving them what they have a right to have and set this up in a way that makes sense for them and for us. That's kind of the road we're on. I know this might not be a totally satisfying conversation because we are at the beginning of discussions and we are working though these issues with our partner. But we definitely, in the meantime, as Juan Carlos said, our interests are absolutely aligned to keep focused on serving dealers and serving consumers, for their benefit and our benefit. So, that sense of strong partnership remains with the operations teams and then through to the folks that we're discussing possible structures with.

Eric Wasserstrom:

If I can just have one last follow-up? To the extent that you are contributing certain operational areas, risk, tech, others that you've highlighted, how disruptive would that be to the go forward Santander Consumer business to have to divide those technologies and staff in that way?

Scott Powell:

Well, I would say, to be quite honest, that will be one of the challenges in this kind of program. Carving out a company from within a company is not an easy thing to do, and having said that, we have a really deep and knowledgeable management team, very experienced, and we are very focused on that risk. It is a real risk. I'm not going to sit here on this phone and try to tell you guys it's not, but we've recognized that and as we go through that process we will try to keep everybody focused on the right outcome for our company and our shareholders, as well as on delivering for Chrysler, which again, we expect to have a relationship with Chrysler well into the future. Our interests are absolutely aligned on making this work through the transition process.

Eric Wasserstrom:

Thanks very much.

Scott Powell:

You're welcome.

Operator:

We'll take our final question from Rick Shane with JP Morgan.

Rick Shane:

Hey guys, thanks for taking my questions.

Scott Powell:

Hey, Rick.

Rick Shane:

The first question, I just want to clarify something. You keep talking about assets that would be allocated to Chrysler Capital. Our assumption is any loan currently that you have that is on Chrysler collateral would be allocated to the venture, and when you're talking about asset allocation you're talking about other assets besides loans.

Scott Powell:

No, I think you have it right, Rick. I mean the starting point would be Chrysler loans and leases. The reason we're saying may or may not is because they have the option to buy those or not.

Rick Shane:

Got it, okay. The second thing is that during a transition period, what—I think you touched upon this but I just want to make sure we understand this. What are each side's incentives? Obviously Chrysler is interested in increasing the amount of financing that is available for their borrower—for their purchasers, and I'm assuming that for SC, given that the transaction will be valued based upon the size of the book that you would like that book to be as large as possible. So, could we actually see more volume through this channel as you move through the transition period?

Scott Powell:

No. We will stick to our knitting. We will stick to our credit buy box. We'll stick to our credit pricing strategies with an eye towards the right returns for our shareholders and then I know you know that on the lease side we have a loss-sharing agreement which is working pretty well, and so we would stick to that. I was really referring to beyond an initial transaction where we work through some kind of multi-year TSA set of agreements kind of period where we're still going to have aligned interests to make sure it works for us and it works for them. I think there is lots of opportunities as we move forward over the next couple of years. Does that make sense?

Rick Shane:

That's very helpful, guys. Thank you very much.

Scott Powell:

You bet. You're welcome.

Operator:

At the time-

Scott Powell:

Okay, well … Sorry, go ahead.

Operator:

I would like to turn the call over to Scott Powell for final comments.

Scott Powell:

Thank you. Sorry. Jumped the gun on that, Operator. Thanks everybody for joining the call today, especially on such short notice. As usual, our Investor Relations team is available for any follow-up questions you have. We will look forward to speaking with you again soon, and have a good weekend. Talk to you soon.

Operator:

That concludes today's presentation. We thank you for your participation. You may now disconnect.