Santander Consumer USA Holdings Inc.
Form 10-K/A
March 02, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 1
ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-36270
SANTANDER CONSUMER USA HOLDINGS INC.
(Exact Name of Registrant as Specified in Its Charter)

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

1601 Elm Street, Suite 800
Dallas, Texas 75201
(214) 634-1110
(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No ý

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer ý Accelerated filer ¨
Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ¨ No ý
As of June 30, 2016, the Registrant’s common stock, par value $0.01 per share, held by non-affiliates had an aggregate market value of approximately $1.2 billion based on the closing price on that date on the New York Stock Exchange of $10.33 per share.

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

Class	Outstanding at February 17, 2017
Common Stock ($0.01 par value)	359,096,990 shares

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 10-K/A (the "Amendment") for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2017 (the “Original Form 10-K”), solely to correct an administrative error in the date of the Report of Independent Registered Public Accounting Firm of Deloitte & Touche LLP (the “Report”). The Report in the Original Form 10-K was incorrectly dated as “February 28, 2017 (October 27, 2016 as to the effects of the restatement discussed in Note 19).” The correct date is “March 30, 2016 (October 27, 2016 as to the effects of the restatement discussed in Note 19).” The Report of Independent Registered Public Accounting Firm with the correct date is filed herewith.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we have included the entire text of Part II, Item 8 of the Original Form 10-K in this Amendment. However, there have been no changes to the text of such Part II, Item 8 other than the change stated in the immediately preceding paragraph.

Further, there have been no changes to the XBRL data filed in Exhibit 101 of the Original Form 10-K.

This Amendment includes new consents of PricewaterhouseCoopers LLP and Deloitte & Touche LLP as Exhibits 23.1 and 23.2, respectively, and new certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1, 31.2, 32.1 and 32.2 hereto.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other Item of the Original Form 10-K or reflect any events that have occurred after the filing of the Original Form 10-K.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Santander Consumer USA Holdings Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of Santander Consumer USA Holdings Inc. and its subsidiaries at December 31, 2016, and the results of their operations and their cash flows for the year ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because of the material weaknesses in internal control over financial reporting related to deficiencies in the Control Environment, Risk Assessment, Control Activities and Monitoring and additional material weaknesses in the Company’s application of effective interest method for accretion; methodology to estimate credit loss allowance; loans modified as TDRs; development, approval, and monitoring of models used to estimate the credit loss allowance; identification, governance, and monitoring of models used to estimate accretion; the review of new, unusual or significant transactions; the review of financial statement disclosures; and the preparation and review of the consolidated statement of cash flows. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
February 28, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Santander Consumer USA Holdings Inc.
Dallas, Texas

We have audited the accompanying consolidated balance sheet of Santander Consumer USA Holdings Inc. and subsidiaries (the "Company") as of December 31, 2015, and the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santander Consumer USA Holdings Inc. and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the consolidated financial statements, the accompanying 2015 and 2014 consolidated financial statements have been restated to correct misstatements.

/s/ Deloitte & Touche LLP

Dallas, Texas
March 30, 2016 (October 27, 2016 as to the effects of the restatement discussed in Note 19)

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except per share data)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents - $98,536 and zero held at affiliates, respectively	$ 160,180	$ 18,893
Finance receivables held for sale, net	2,123,415	2,859,575
Finance receivables held for investment, net	23,481,001	23,367,788
Restricted cash — $11,629 and $39,436 held at affiliates, respectively	2,757,299	2,236,329
Accrued interest receivable	373,274	395,387
Leased vehicles, net	8,564,628	6,497,310
Furniture and equipment, net of accumulated depreciation of $47,365 and $50,409, respectively	67,509	58,007
Federal, state and other income taxes receivable	87,352	267,636
Related party taxes receivable	1,087	71
Goodwill	74,056	74,056
Intangible assets, net of amortization of $33,652 and $28,422, respectively	32,623	33,016
Due from affiliates	31,270	58,599
Other assets	785,410	582,291
Total assets	$ 38,539,104	$ 36,448,958
Liabilities and Equity		
Liabilities:		
Notes payable — credit facilities	$ 6,739,817	$ 6,902,779
Notes payable — secured structured financings	21,608,889	20,872,900
Notes payable — related party	2,975,000	2,600,000
Accrued interest payable	33,346	22,544
Accounts payable and accrued expenses	379,021	413,269
Federal, state and other income taxes payable	—	2,462
Deferred tax liabilities, net	1,278,064	881,225
Due to affiliates	50,620	58,148
Other liabilities	235,728	263,082
Total liabilities	33,300,485	32,016,409
Commitments and contingencies (Notes 6 and 11)		
Equity:		
Common stock, $0.01 par value — 1,100,000,000 shares authorized;		
358,987,689 and 358,014,870 shares issued and 358,907,550 and 357,945,865 shares outstanding, respectively	3,589	3,579
Additional paid-in capital	1,657,611	1,644,151
Accumulated other comprehensive income, net	28,259	2,125
Retained earnings	3,549,160	2,782,694
Total stockholders' equity	5,238,619	4,432,549
Total liabilities and equity	$ 38,539,104	$ 36,448,958

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

The assets of consolidated VIEs, presented based upon the legal transfer of the underlying assets in order to reflect legal ownership, that can be used only to settle obligations of the consolidated VIE and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit were as follows:

	December 31, 2016	December 31, 2015
Assets		
Restricted cash	$ 2,087,177	$ 1,842,877
Finance receivables held for sale, net	1,012,277	1,539,686
Finance receivables held for investment, net	22,919,312	22,658,626
Leased vehicles, net	8,564,628	6,497,310
Various other assets	686,253	630,017
Total assets	$ 35,269,647	$ 33,168,516
Liabilities		
Notes payable	$ 31,659,203	$ 30,611,019
Various other liabilities	91,234	85,844
Total liabilities	$ 31,750,437	$ 30,696,863

Certain amounts shown above are greater than the amounts shown in the corresponding line items in the accompanying consolidated balance sheets due to intercompany eliminations between the VIEs and other entities consolidated by the Company. For example, for most of its securitizations, the Company retains one or more of the lowest tranches of bonds. Rather than showing investment in bonds as an asset and the associated debt as a liability, these amounts are eliminated in consolidation as required by U.S. GAAP.
See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Dollar amounts in thousands, except per share data)

	For the Year Ended December 31,		
	2016	2015	2014
Interest on finance receivables and loans	$5,026,790	$5,031,829	$4,493,413
Leased vehicle income	1,487,671	1,037,793	651,590
Other finance and interest income	15,135	18,162	8,068
Total finance and other interest income	6,529,596	6,087,784	5,153,071
Interest expense — Including $119,277, $162,353, and $141,381 to affiliates, respectively	807,484	628,791	523,203
Leased vehicle expense	995,459	726,420	476,250
Net finance and other interest income	4,726,653	4,732,573	4,153,618
Provision for credit losses	2,468,200	2,785,871	2,521,267
Net finance and other interest income after provision for credit losses	2,258,453	1,946,702	1,632,351
Profit sharing	47,816	57,484	74,925
Net finance and other interest income after provision for credit losses and profit sharing	2,210,637	1,889,218	1,557,426
Investment gains (losses), net — Including $346, ($5,654), and $4,917 from affiliates, respectively	(444,759)	(95,214)	113,147
Servicing fee income — Including $16,733, $16,453, and $21,930 from affiliates, respectively	156,134	131,113	72,627
Fees, commissions, and other — Including $900, $9,331, and $25,985, from affiliates, respectively	382,171	385,744	374,128
Total other income	93,546	421,643	559,902
Compensation expense	498,224	434,041	482,637
Repossession expense	293,355	241,522	201,017
Other operating costs — Including $2,480, $9,195, and $829, to affiliates, respectively	351,893	345,686	312,539
Total operating expenses	1,143,472	1,021,249	996,193
Income before income taxes	1,160,711	1,289,612	1,121,135
Income tax expense	394,245	465,572	395,851
Net income	$766,466	$824,040	$725,284
Net income	$766,466	$824,040	$725,284
Other comprehensive income (loss):			
Change in unrealized gains (losses) on cash flow hedges, net of tax of $15,647, $872, and $3,814, respectively	26,134	(1,428)	6,406
Comprehensive income	$792,600	$822,612	$731,690
Net income per common share (basic)	$2.14	$2.32	$2.08
Net income per common share (diluted)	$2.13	$2.31	$2.04
Dividends declared per common share	$—	$—	$0.15
Weighted average common shares (basic)	358,280,814	355,102,742	348,723,472
Weighted average common shares (diluted)	359,078,337	356,163,076	355,722,363

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share amounts)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), net	Retained Earnings	Total Stockholders' Equity
Balance — January 1, 2014	346,760	$ 3,468	$ 1,409,463	$ (2,853)	$ 1,285,686	$ 2,695,764
Stock issued in connection with employee incentive compensation plans	2,267	22	19,331	—	—	19,353
Purchase of treasury stock	(49)	—	(960)	—	—	(960)
Stock-based compensation	—	—	125,888	—	—	125,888
Deemed contribution from shareholder	—	—	6,797	—	—	6,797
Net income	—	—	—	—	725,284	725,284
Other comprehensive income, net of taxes	—	—	—	6,406	—	6,406
Dividends declared per common share $0.15	—	—	—	—	(52,316)	(52,316)
Balance — December 31, 2014	348,978	$ 3,490	$ 1,560,519	$ 3,553	$ 1,958,654	$ 3,526,216
Stock issued in connection with employee incentive compensation plans	8,985	89	74,139	—	—	74,228
Purchase of treasury stock	(17)	—	(267)	—	—	(267)
Stock based compensation expense	—	—	10,686	—	—	10,686
Tax sharing with affiliate	—	—	(926)	—	—	(926)
Net income	—	—	—	—	824,040	824,040
Other comprehensive loss, net of taxes	—	—	—	(1,428)	—	(1,428)
Balance — December 31, 2015	357,946	$ 3,579	$ 1,644,151	$ 2,125	$ 2,782,694	$ 4,432,549
Stock issued in connection with employee incentive compensation plans	988	10	5,697	—	—	5,707
Purchase of treasury stock	(26)	—	(350)	—	—	$ (350)
Stock based compensation expense			9,537	—	—	9,537
Tax sharing with affiliate	—	—	(1,424)	—	—	(1,424)
Net income	—	—	—	—	766,466	766,466
Other comprehensive income, net of taxes	—	—	—	26,134	—	26,134
Balance — December 31, 2016	358,908	$ 3,589	$ 1,657,611	$ 28,259	$ 3,549,160	$ 5,238,619

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	$766,466	$824,040	$725,284
Adjustments to reconcile net income to net cash provided by operating activities:			
Derivative mark to market	169	(1,650)	(9,685)
Provision for credit losses	2,468,200	2,785,871	2,521,267
Depreciation and amortization	1,094,774	821,782	570,989
Accretion of discount	(355,961)	(362,573)	(416,381)
Originations and purchases of receivables held for sale	(4,019,155)	(5,472,995)	(3,936,973)
Proceeds from sales of and repayments on receivables originated as held for sale	3,905,622	4,662,778	4,053,051
Change in revolving unsecured consumer loans	(317,506)	(107,947)	—
Investment (gains) losses, net	444,759	95,214	(113,147)
Stock-based compensation	9,537	10,686	125,888
Deferred tax expense	379,753	427,283	617,068
Changes in assets and liabilities:			
Accrued interest receivable	5,358	(93,089)	(68,964)
Accounts receivable	5,315	(8,587)	(9,895)
Federal income tax and other taxes	175,075	233,313	(130,689)
Other assets	(55,765)	(20,628)	(1,328)
Accrued interest payable	9,559	4,204	2,482
Other liabilities	(58,944)	59,736	62,970
Due to/from affiliates	15,861	52,268	(97,419)
Net cash provided by operating activities	4,473,117	3,909,706	3,894,518
Cash flows from investing activities:			
Originations of and disbursements on finance receivables held for investment	(12,901,776)	(16,910,010)	(16,381,530)
Collections on finance receivables held for investment	10,295,849	10,178,209	9,282,673
Proceeds from sale of loans originated as held for investment	823,877	2,187,328	2,823,046
Leased vehicles purchased	(5,596,639)	(5,149,481)	(4,482,921)
Manufacturer incentives received	1,210,779	979,183	895,964
Proceeds from sale of leased vehicles	1,548,186	1,931,957	465,481
Change in revolving personal loans	(93,194)	(438,785)	(560,388)
Purchases of furniture and equipment	(23,290)	(18,798)	(19,256)
Proceeds from sales of furniture and equipment	1,844	511	951
Change in restricted cash	(525,433)	(466,497)	(357,244)
Other investing activities	(8,017)	(8,829)	(5,921)
Net cash used in investing activities	(5,267,814)	(7,715,212)	(8,339,145)
Cash flows from financing activities:			
Proceeds from notes payable related to secured structured financings — net of debt issuance costs	13,756,342	15,232,692	11,948,421
Payments on notes payable related to secured structured financings	(12,941,849)	(11,113,459)	(9,439,255)
Proceeds from unsecured notes payable	4,491,153	6,150,000	5,082,062
Payments on unsecured notes payable	(4,076,571)	(7,390,631)	(5,322,030)
Proceeds from notes payable (including repurchase agreements)	25,256,469	27,379,570	25,543,242
Payments on notes payable (including repurchase agreements)	(25,557,686)	(26,554,425)	(23,310,720)
Proceeds from stock option exercises, gross	8,126	87,762	24,809

Repurchase of stock - employee tax withholding	—	(267)	(6,960)
Dividends paid	—	—	(52,316)
Net cash provided by financing activities	935,984	3,791,242	4,467,253
Net increase (decrease) in cash and cash equivalents	141,287	(14,264)	22,626
Cash — Beginning of year	18,893	33,157	10,531
Cash — End of year	$ 160,180	$ 18,893	$ 33,157

Noncash investing and financing transactions (Refer to Note 13)

See notes to audited consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

1. Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices

Santander Consumer USA Holdings Inc., a Delaware corporation (together with its subsidiaries, "SC" or "the Company"), is the holding company for Santander Consumer USA Inc., an Illinois corporation, and subsidiaries, a specialized consumer finance company focused on vehicle finance and third-party servicing. The Company's primary business is the indirect origination and securitization of retail installment contracts principally through manufacturer-franchised dealers in connection with their sale of new and used vehicles to retail consumers.

In conjunction with a ten-year private label financing agreement (the Chrysler Agreement) with Fiat Chrysler Automobiles US LLC (FCA) that became effective May 1, 2013, the Company offers a full spectrum of auto financing products and services to FCA customers and dealers under the Chrysler Capital brand. These products and services include consumer retail installment contracts and leases, as well as dealer loans for inventory, construction, real estate, working capital and revolving lines of credit. Retail installment contracts and vehicle leases entered into with FCA customers, as part of the Chrysler Agreement, represent a significant concentration of those portfolios and there is a risk that the Chrysler Agreement could be terminated prior to its expiration date. Termination of the Chrysler Agreement could result in a decrease in the amount of new retail installment contracts and vehicle leases entered into with FCA customers.

The Company also originates vehicle loans through a web-based direct lending program, purchases vehicle retail installment contracts from other lenders, and services automobile and recreational and marine vehicle portfolios for other lenders. Additionally, the Company has several relationships through which it provides personal loans, private-label revolving lines and other consumer finance products.

As of December 31, 2016, the Company was owned approximately 58.8% by Santander Holdings USA, Inc. (SHUSA), a subsidiary of Banco Santander, S.A. (Santander), approximately 31.4% by public shareholders, approximately 9.7% by DDFS LLC, an entity affiliated with Thomas G. Dundon, the Company's former Chairman and CEO, and approximately 0.1% by other holders, primarily members of senior management. Pursuant to a Separation Agreement with Mr. Dundon, SHUSA was deemed to have delivered, as of July 3, 2015, an irrevocable notice to exercise the call option with respect to all the shares of Company common stock owned by DDFS LLC and consummate the transactions contemplated by the call option notice, subject to required regulatory approvals and any other approvals required by law being obtained (the Call Transaction). Because the Call Transaction was not consummated prior to October 15, 2015 (the Call End Date), DDFS LLC is free to transfer any or all of its shares of Company common stock, subject to the terms and conditions of the Amended and Restated Loan Agreement, dated as of July 16, 2014, between DDFS LLC and Santander. Also, because the Call Transaction was not completed prior to the Call End Date, interest began accruing on the price paid per share in the Call Transaction at the overnight LIBOR rate on the third business day preceding the consummation of the Call Transaction plus 100 basis points with respect to any shares of Company common stock ultimately sold in the Call Transaction (Note 12).

Basis of Presentation

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

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

Business Segment Information

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

Accounting Policies

Finance Receivables

Finance receivables are comprised of retail installment contracts individually acquired, purchased receivables, receivables from dealer, personal loans, and capital lease receivables. Finance receivables are classified as either held for sale or held for investment, depending on the Company’s intent and ability to hold the underlying contract for the foreseeable future or until maturity or payoff. Most of the Company’s retail installment contracts held for investment are pledged under its warehouse facilities or securitization transactions.

Retail Installment Contracts

Retail installment contracts consist largely of nonprime automobile finance receivables, which are acquired individually from dealers at a nonrefundable discount from the contractual principal amount. Retail installment contracts also include receivables originated through a direct lending program and loan portfolios purchased from other lenders. Retail installment contracts acquired individually or originated directly are primarily classified as held for investment and carried at amortized cost, net of allowance for credit losses.

The Company has elected the fair value option for certain non-performing loans acquired through the exercise of a clean-up call (Note 7). Accordingly, changes in the fair value of these finance receivables, which are based upon fair value estimates (Note 15), are reported in investment gains (losses), net, in the consolidated statements of income and comprehensive income.

Interest is accrued when earned in accordance with the terms of the retail installment contract. The accrual of interest is discontinued and reversed once a retail installment contract becomes more than 60 days past due, and is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. A Chrysler Capital retail installment contract is considered current if the borrower has made all prior payments in full and at least 90% of the payment currently due, and a non-Chrysler Capital retail installment contract is considered current if the borrower has made all prior payments in full and at least 50% of the payment currently due. Payments generally are applied to interest first, then principal, then fees, regardless of a contract's accrual status.

The amortization of discounts, subvention payments from manufacturers, and other origination costs on retail installment contracts held for investment acquired individually, or through a direct lending program, are recognized as adjustments to the yield of the related contract using the effective interest method. The Company estimates future principal prepayments in the calculation of the constant effective yield.

Purchased Receivables Portfolios

Receivables portfolios purchased from other lenders or pursuant to a repurchased obligation that are purchased at amounts less than the principal amount of those receivables, resulting in a discount to par, are accounted for in accordance with ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, if the discount was attributable, at least in part, to the expectation that not all contractual cash flows will be received from borrowers, which did not exist at the origination of the loans. The excess of the estimated undiscounted principal, interest, and other cash flows expected to be collected over the initial investment in the acquired loans, or accretable yield, is accreted to interest income over the expected life of the loans using the effective interest rate method.

The nonaccretable difference is the excess between the contractually required payments and the amount of cash flows, considering the impact of prepayments, expected to be collected. The nonaccretable difference is not accreted into income.

Any deterioration in the performance of the purchased portfolios results in an incremental impairment. Improvements in performance of the purchased pools that significantly increase actual or expected cash flows result in first a reversal of previously recorded impairment and then in a transfer of the excess from nonaccretable difference to accretable yield, which will be recorded as finance income over the remaining life of the receivables.

13

Personal Loans, Net

Personal loans, net, primarily consist of both revolving and amortizing term finance receivables acquired individually under terms of the Company's agreements with certain third parties who originate and continue to service the loans. Personal loans also include private-label revolving lines of credit originated through the Company's relationship with a point-of-sale lending technology company. Certain of the revolving receivables were acquired at a discount.

Interest is accrued when earned in accordance with the terms of the contract. The accrual of interest on amortizing term receivables is discontinued and reversed once a receivable becomes past due more than 60 days, and is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. The accrual of interest on revolving personal loans continues until the receivable becomes 180 days past due, at which point the principal amount and interest are charged off. The amortization of discounts is recognized on a straight-line basis over the estimated period over which the receivables are expected to be outstanding.

Receivables from Dealers

Receivables from dealers include floorplan loans provided to dealerships to finance new and used vehicles for their inventory. Receivables from dealers also include real estate loans and working capital revolving lines of credit.

Interest on these loans is accrued when earned in accordance with the agreement with the dealer. Receivables from dealers the Company does not have the intent and ability to hold for the foreseeable future or until maturity or payoff are classified as held for sale and carried at the lower of cost or market, as determined on an aggregate basis.

Finance Receivables Held for Sale, Net

Finance receivables, which may include any of the receivables described above, that the Company does not have the intent and ability to hold for the foreseeable future or until maturity or payoff, including those previously designated as held for investment and subsequently identified for sale, are classified as held for sale, at origination or at the time a decision to sell is made. Finance receivables designated as held for sale are carried at the lower of cost or market, as determined on an aggregate basis. Cost, or recorded investment, includes deferred net origination fees and costs, premium or discounts, accrued interest, manufacturer subvention (if any) and any direct write-down of the investment. When loans are transferred from held for investment, if the recorded investment of a loan exceeds its market value at the time of initial designation as held for sale, the Company will recognize a direct write-down of the excess of the recorded investment over market as a charge-off against the credit loss allowance. Subsequent to the initial measurement of retail installment contracts held for sale, market declines in the recorded investment, whether due to credit or market risk, are recorded through investment gains (losses), net of lower of cost or market adjustments.

Provision for Credit Losses

Provisions for credit losses are charged to operations in amounts sufficient to support the credit loss allowance in accordance with the Company's estimate. The Company estimates an allowance on individually acquired retail installment contracts and personal loans held for investment not classified as TDRs at a level considered adequate to cover expected net credit losses inherent in the recorded investment of that portfolio. Probable losses are estimated based on contractual delinquency status and historical loss experience, in addition to the Company's judgment of estimates of the value of the underlying collateral, changes in the used vehicle value index, delinquency status, historical collection rates and other information in order to make the necessary judgments as to probable loan losses. For loans classified as TDRs, impairment is typically measured based on the present value of expected future cash flows discounted at the original effective interest rate. Provisions for credit losses are also charged to operations for impairment on TDRs.

Retail installment contracts acquired individually are charged off against the allowance in the month in which the account becomes greater than 120 days contractually delinquent if the Company has not repossessed the related vehicle. The Company charges off accounts in repossession when the automobile is repossessed and legally available for disposition. A net charge-off represents the difference between the estimated sales proceeds and the Company's recorded investment in the related contract. Costs to sell the vehicle are presented in repossession expense. Accounts in repossession that have been charged off and are pending liquidation are removed from retail installment contracts and the related repossessed automobiles are included in other assets in the Company's consolidated balance sheets. Term and revolving personal loans are charged off against the allowance in the month in which the accounts become 120 days and 180 days contractually delinquent, respectively.

In addition to maintaining a general allowance based on risk ratings, receivables from dealers are evaluated individually for impairment with allowances established for receivables determined to be individually impaired.

Receivables from dealers are charged off against these allowances at the time that the credit is considered uncollectable and of such little value that it does not warrant consideration as an active asset.

Troubled Debt Restructurings

A modification of finance receivable terms is considered a troubled debt restructuring (TDR) if the Company grants a concession it would not otherwise have considered to a borrower for economic or legal reasons related to the debtor's financial difficulties. The Company considers TDRs to include all individually acquired retail installment contracts or personal revolving loans that have been modified at least once, deferred for a period of 90 days or more, or deferred at least twice. Additionally, restructurings through bankruptcy proceedings are deemed to be TDRs. The purchased receivables portfolio and operating and capital leases are excluded from the scope of the applicable guidance, and none of the Company's personal term loans or dealer loans have been modified or deferred.

For TDRs, impairment is typically measured based on the difference between the recorded investment of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. TDRs are evaluated for impairment individually or in aggregate for those loans with similar risk characteristics.

Leased Vehicles, Net

Most vehicles for which the Company is the lessor are classified as operating leases, as they do not meet the accounting requirements to be classified as a capital lease. The net capitalized cost of each lease is recorded as an asset and depreciated on a straight-line basis over the contractual term of the lease to the expected residual value. The expected residual value and, accordingly, the monthly depreciation expense may change throughout the term of the lease. The Company estimates expected residual values using independent data sources and internal statistical models that take into consideration economic conditions, current auction results, the Company’s remarketing abilities, and manufacturer vehicle and marketing programs. Over the life of the lease, the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle at lease termination changes.

Lease payments due from customers are recorded as income until and unless a customer becomes more than 60 days delinquent, at which time the accrual of revenue is discontinued and reversed. The accrual is resumed and reinstated if a delinquent account subsequently becomes 60 days or less past due. Subvention payments from the manufacturer, down payments from the customer, and initial direct costs incurred in connection with originating the lease are treated as a reduction to the cost basis of the underlying lease asset and are amortized on a straight-line basis over the contractual term of the lease. The amortization of manufacturer subvention payments is reflected as a reduction to depreciation expense over the life of the contract. The Company periodically evaluates its investment in operating leases for impairment if circumstances, such as a general decline in used vehicle values, indicate that an impairment may exist.

Capital Lease Receivables, net

Leases classified as capital leases are accounted for as direct financing leases. Minimum lease payments plus the estimated residual value of the leased vehicle are recorded as the gross investment. The difference between the gross investment and the cost of the leased vehicle is recorded as unearned income. Direct financing leases are reported at the aggregate of gross investments, net of unearned income and allowance for lease losses. Income for direct financing leases is recognized using the effective interest method, which provides a constant periodic rate of return on the outstanding investment on the lease.

Fees, commissions, and other

Fees, commissions, and other primarily include late fee, miscellaneous, and other income, generally recorded when there is no doubt as to the collectability of the related receivable.

Repossessed Vehicles and Repossession Expense

Repossessed vehicles represent vehicles the Company has repossessed due to the borrowers’ default on the payment terms of the retail installment contracts, loans or leases. The Company generally begins repossession activity once a customer has reached 60 days past due. The customer has an opportunity to redeem the repossessed vehicle by paying all outstanding balances, including finance charges and fees. Any vehicles not redeemed are sold at auction. The Company records the vehicles currently in its inventory at the lower of cost or estimated fair value, net of estimated costs to sell (See Notes 9 and 15.)

15

Repossession expense includes the costs to repossess and sell vehicles obtained due to borrower default. These costs include transportation, storage, rekeying, condition reports, legal fees, the fees paid to repossession agents and auction fees.

Sales of Finance Receivables and Leases

The Company transfers retail installment contracts into newly formed Trusts, which then issue one or more classes of notes payable backed by the retail installment contracts.

The Company’s continuing involvement with the credit facilities and Trusts are in the form of servicing loans held by the special purpose entities (SPEs) and, generally, through holding a residual interest in the SPE. These transactions are structured without recourse. The Trusts are considered VIEs under U.S. GAAP and are consolidated when the Company has: (a) power over the significant activities of the entity and (b) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE.

The Company has power over the significant activities of those Trusts as servicer of the financial assets held in the Trust. Servicing fees are not considered significant variable interests in the Trusts; however, when the Company also retains a residual interest in the Trust, either in the form of a debt security or equity interest, the Company has an obligation to absorb losses or the right to receive benefits that are potentially significant to the SPE. Accordingly, these Trusts are consolidated within the consolidated financial statements, and the associated retail installment contracts, borrowings under credit facilities and securitization notes payable remain on the consolidated balance sheets. Securitizations involving Trusts in which the Company does not retain a residual interest or any other debt or equity interests are treated as sales of the associated retail installment contracts.

While these Trusts are included in the consolidated financial statements, these Trusts are separate legal entities; thus, the finance receivables and other assets sold to these Trusts are legally owned by these Trusts, are available only to satisfy the notes payable related to the securitized retail installment contracts, and are not available to the Company's creditors or other subsidiaries.

The Company also sells retail installment contracts and leases to VIEs or directly to third parties, which the Company may determine meet sale accounting treatment in accordance with the applicable guidance. Due to the nature, purpose, and activity of these transactions, the Company either does not hold potentially significant variable interests or is not the primary beneficiary as a result of the Company's limited further involvement with the financial assets. The transferred financial assets are removed from the Company's consolidated balance sheets at the time the sale is completed. The Company generally remains the servicer of the financial assets and receives servicing fees. The Company also recognizes a gain or loss for the difference between the fair value, as measured based on sales proceeds plus (or minus) the value of any servicing asset (or liability) retained and carrying value of the assets sold.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company has maintained balances in various operating and money market accounts in excess of federally insured limits.

Restricted Cash

Cash deposited to support securitization transactions, lockbox collections, and the related required reserve accounts is recorded in the Company’s consolidated balance sheet as restricted cash. Excess cash flows generated by the securitization trusts are added to the restricted cash reserve account, creating additional over-collateralization until the contractual securitization requirement has been reached. Once the targeted reserve requirement is satisfied, additional excess cash flows generated by the Trusts are released to the Company as distributions from the Trusts. Lockbox collections are added to restricted cash and released when transferred to the appropriate warehouse facility or Trust.

The Company has several limited guarantees with Santander that provide explicit performance guarantees on certain servicer obligations related to the Company’s warehouse facilities and certain securitizations. As a result of those guarantees, the Company was permitted to commingle funds received on contracts that have been included in the securitizations and certain warehouse facilities, and retain and remit cash to the respective collection accounts once a month prior to the distribution dates. However, due to downgrades in Santander’s credit ratings during a prior reporting period, the commingling rights were lost. No funds were commingled as of December 31, 2016.

16

Income Taxes

Income tax expense consists of income taxes currently payable and deferred income taxes computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The deferred tax asset is subject to reduction by a valuation allowance in certain circumstances. This valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be realized based on a review of available evidence. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is classified as a dealer in securities for tax purposes, and reports its financial receivables and loans at fair value in its tax returns.

The Company records the benefit of uncertain tax positions in the consolidated financial statements when such positions (1) meet a more-likely-than-not threshold, (2) are settled through negotiation or litigation, or (3) the statute of limitations for the taxing authority to examine the position has expired. Tax benefits associated with an uncertain tax position are derecognized in the period in which the more-likely-than-not recognition threshold is no longer satisfied.

Furniture and Equipment

Furniture and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. Depreciation and amortization on furniture and equipment for the years ended December 31, 2016, 2015, and 2014 totaled $16,357, $16,111, and $13,069, respectively. Expenditures for major renewals and betterments are capitalized. Repairs and maintenance expenditures are charged to operations as incurred.

Goodwill and Intangibles

Goodwill represents the excess of consideration paid over fair value of net assets acquired in business combinations. Intangibles represent intangible assets purchased or acquired through business combinations, including trade names and software development costs. Intangibles are amortized over their estimated useful lives. The Company tests goodwill for impairment annually in accordance with the provisions of ASC 350, Intangibles-Goodwill and Other.

Derivative Financial Instruments

Derivative financial instruments are recognized as either assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value of each derivative financial instrument depends on whether it has been designated and qualifies as a hedge for accounting purposes, as well as the type of hedging relationship identified. The Company does not use derivative instruments for trading or speculative purposes.

Interest Rate Swap Agreements — The Company uses interest rate swaps to hedge the variability of cash flows on securities issued by securitization Trusts and borrowings under the Company's warehouse facilities. Certain interest rate swap agreements are designated and qualify as cash flow hedges, and are highly effective in reducing exposure to interest rate risk from both an accounting and an economic perspective.

At hedge inception and at least quarterly, the interest rate swap agreements designated as accounting hedges are assessed to determine their effectiveness in offsetting changes in the cash flows of the hedged items and whether those interest rate swap agreements may be expected to remain highly effective in future periods.

The Company uses change in variable cash flows to assess hedge effectiveness of cash flow hedges on a prospective and retrospective basis. At December 31, 2016, all of the Company's interest rate swap agreements designated as cash flow hedges are deemed to be effective hedges for accounting purposes. The Company uses the hypothetical derivative method to measure the amount of ineffectiveness and a net earnings impact occurs when the cumulative change in the value of a derivative, as adjusted, differs from the cumulative change in value of the perfect hypothetical derivative. The excess change in value (the ineffectiveness) is recognized in earnings.

The effective portion of the changes in the fair value of the interest rate swaps qualifying as cash flow hedges is included as a component of other comprehensive loss, net of estimated income taxes, as an unrealized gain or loss on cash flow hedges. These unrealized gains or losses are recognized as adjustments to income over the same period in which cash flows from the related hedged item affect earnings. Additionally, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the value of the cash flows being hedged, any changes in fair value relating to the ineffective portion of these contracts are recognized in interest expense on the consolidated statements of income and comprehensive income. The Company discontinues hedge accounting prospectively when it is determined that an interest rate swap agreement has ceased to be effective as an accounting hedge or if the underlying hedged cash flow is no longer probable of occurring.

The Company has also entered into interest rate swap agreements related to its securitization trusts and warehouse facilities that are not designated as hedges. These agreements are intended to reduce the risk of interest rate fluctuations. For the interest rate swap agreements not designated as hedges, any gains or losses are included in the Company's earnings as a component of operating expense.

Interest Rate Cap Agreements — The Company purchases interest rate cap agreements to limit floating rate exposures on securities issued in credit facilities. As part of the interest rate risk management strategy, and when economically feasible, the Company may simultaneously sell a corresponding written option to offset the premium paid to purchase the interest rate cap agreement and thus retain the interest rate risk. Because these instruments entered into directly by the Company or through SPEs are not designated for hedge accounting, changes in the fair value of interest rate cap agreements purchased by the SPEs and written option sold by the Company are recorded in interest expense on the consolidated statements of income and comprehensive income.

Warrants — The Company is the holder of a warrant that gives it the right, if certain vesting conditions are satisfied, to purchase additional shares in a company in which it has a cost method investment. This warrant would allow SC to increase its ownership to approximately 22% in the investee company.

Total Return Settlement —The Company is obligated to make purchase price holdback payments to a third party originator of auto loans that the Company has purchased, when losses are lower than originally expected. The Company also is obligated to make total return settlement payments to this third-party originator in 2017 if returns on the purchased loans are greater than originally expected. These purchase price holdback payments and total return settlement payments are considered to be derivatives, collectively referred to herein as "total return settlement," and accordingly are marked to fair value each reporting period.

Stock-Based Compensation

The Company measures the compensation cost of stock-based awards using the estimated fair value of those awards on the grant date, and recognizes the cost as expense over the vesting period of the awards (see Note 16).

Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. It is computed after giving consideration to the weighted average dilutive effect of the Company's stock options and restricted stock grants. Because the Company has issued participating securities in the form of unvested restricted stock that has dividend rights, the Company applies the two-class method when computing earnings per share.

Change in Accounting Principle

During the second quarter of fiscal year 2016, the Company changed the date of its annual goodwill impairment test from December 31 to October 1. This new testing date is preferable under the circumstances in order to align the Company's policy with that of SHUSA. The Company has prospectively applied the change and confirmed the change in the annual impairment testing date did not delay, accelerate, or avoid an impairment charge.

Recently Adopted Accounting Standards

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period. This standard affects entities that issue share-based payments when the terms of an award stipulate that a performance target could be achieved after an employee completes the requisite service period. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company's financial position, results of operations, or cash flows

On August 27, 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern, which requires management to assess a company’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This guidance became effective for the Company December 31, 2016 and implementation of this guidance did not have a significant impact on the Company’s financial position, results of operations, or cash flows.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items. This standard simplifies income statement classification by removing the concept of extraordinary items from U.S. GAAP, and as a result, items that are both unusual and infrequent no longer will be separately reported net of tax after continuing operations. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company’s financial position, results of operations, or cash flows.

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis. This ASU changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company’s financial position, results of operations, or cash flows.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU clarifies when fees paid in a cloud computing arrangement pertain to the acquisition of a software license, services, or both. This guidance became effective for the Company January 1, 2016 and implementation of this guidance did not have a significant impact on the Company’s financial position, results of operations, or cash flows.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), superseding the revenue recognition requirements in ASC 605. This ASU requires an entity to recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment includes a five-step process to assist an entity in achieving the main principle(s) of revenue recognition under ASC 605. In August 2015, the FASB issued ASU 2015-14, which formalized the deferral of the effective date of the amendment for a period of one year from the original effective date. Following the issuance of ASU 2015-14, the amendment will be effective for the Company for the first annual period beginning after December 15, 2017. In March 2016, the FASB also issued ASU 2016-08, an amendment to the guidance in ASU 2014-09, which revises the structure of the indicators to provide indicators of when the entity is the principal or agent in a revenue transaction, and eliminated two of the indicators (“the entity’s consideration is in the form of a commission” and “the entity is not exposed to credit risk”) in making that determination. This amendment also clarifies that each indicator may be more or less relevant to the assessment depending on the terms and conditions of the contract. In April 2016, the FASB issued ASU 2016-10, which clarifies the implementation guidance on identifying promised goods or services and on determining whether an entity’s promise to grant a license with either a right to use the entity’s intellectual property (which is satisfied at a point in time) or a right to access the entity’s intellectual property (which is satisfied over time). In May 2016, the FASB issued ASU 2016-12, an amendment to ASU 2014-09, which provided practical expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on transition, collectability, non-cash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB issued ASU 2016-20, a separate update for technical corrections and improvements to Topic 606 and other Topics amended by Update 2014-09 to increase stakeholders’ awareness of the proposals and to expedite improvements to Update 2014-09. The amendments, collectively, should be applied retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption.

Because the ASU does not apply to revenue associated with leases and financial instruments (including loans and securities), the Company does not expect the new guidance to have a material impact on the elements of its Consolidated Statements of Operations most closely associated with leases and financial instruments (such as interest income, interest expense and securities gain). The Company expects to adopt this ASU in the first quarter of 2018 with a cumulative-effect adjustment to opening retained earnings. The Company's ongoing implementation efforts include the identification of other revenue streams that are within the scope of the new guidance and reviewing related contracts with customers to determine the effect on certain non-interest income items presented in the Consolidated Statements of Operations and on the presentation and disclosures.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This amendment requires that equity investments, except those accounted for under the equity method of accounting or which result in consolidation of the investee, to be measured at fair value, with changes in the fair value being recorded in net income. However, equity investments that do not have readily determinable fair values will be measured at cost less impairment, if any, plus the effect of changes resulting from observable price transactions in orderly transactions or for the identical or similar investment of the same issuer. The amendment also simplifies the impairment assessment of equity instruments that do not have readily determinable fair values, eliminates the requirement to disclose methods and assumptions used to estimate fair value of instruments measured at their amortized cost on the balance sheet, requires that the disclosed fair values of financial instruments represent "exit price," requires entities to separately present in other comprehensive income the portion of the total change in fair value of a liability resulting from instrument-specific credit risk when the FVO has been elected for that liability, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes, and clarifies that an entity should evaluate the need for a valuation allowance on its deferred tax asset related to its available-for-sale securities in combination with its other deferred tax assets. This amendment will be effective for the Company for the first reporting period beginning after December 15, 2017, with earlier adoption permitted by public entities on a limited basis. Adoption of the amendment must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, except for amendments related to equity instruments that do not have readily determinable fair values, for which it should be applied prospectively. While the Company is still in the process of evaluating the impacts of the adoption of this ASU, we don’t expect the impact to be significant to our financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases, which will, among other impacts, change the criteria under which leases are identified and accounted for as on- or off-balance sheet. The guidance will be effective for the fiscal year beginning after December 15, 2018, including interim periods within that year. Once effective, the new guidance must be applied for all periods presented. The Company does not expect the new guidance to have a material impact on the Consolidated Statements of Income or the Consolidated Statements of Shareholders' Equity, since the Company recognizes assets and liabilities for all of its vehicle lease transactions. We continue to evaluate the impact of the new guidance to our operating leases primarily for office space and computer equipment. Upon adoption, the Company will gross up its balance sheet by the present value of future minimum lease payments for these operating leases.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships. The new guidance clarifies that a change in the counterparties to a derivative contract, i.e., a novation, in and of itself, does not require the de-designation of a hedging relationship. An entity will, however, still need to evaluate whether it is probable that the counterparty will perform under the contract as part of its ongoing effectiveness assessment for hedge accounting. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. Adoption of this new guidance can be applied on a modified retrospective or prospective basis. The Company does not expect the adoption of this ASU to have a significant impact on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments. This new guidance clarifies that an exercise contingency does not need to be evaluated to determine whether it relates to interest rates and credit risk in an embedded derivative analysis of hybrid financial instruments. In other words, a contingent put or call option embedded in a debt instrument would be evaluated for possible separate accounting as a derivative instrument without regard to the nature of the exercise contingency. However, as required under existing guidance, companies will still need to evaluate other relevant embedded derivative guidance, such as whether the payoff from the contingent put or call option is adjusted based on changes in an index other than interest rates or credit risk, and whether the debt involves a substantial premium or discount. The new guidance will be effective for the Company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. The new guidance is required to be adopted on a modified retrospective basis to all existing and future debt instruments. The Company does not expect the adoption of this ASU to have a significant impact on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-07, Investments-Equity Method and Joint Ventures (Topic 323). The new guidance eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. Instead, the equity method of accounting should be applied prospectively from the date significant influence is obtained. Investors should add the cost of acquiring the additional interest in the investee (if any) to the current basis of their previously held interest. The new standard also provides specific guidance for available-for-sale securities that become eligible for the equity method of accounting. In those cases, any unrealized gain or loss recorded within accumulated other comprehensive income should be recognized in earnings at the date the investment initially qualifies for the use of the equity method of accounting. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. Adoption of this new guidance can be applied only a prospective basis for investments those qualify for the equity method of accounting after the effective date. The Company does not expect the adoption of this ASU to have a significant impact on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This new guidance simplifies certain aspects related to income taxes, the Statement of Cash Flows ("SCF"), and forfeitures when accounting for share-based payment transactions. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. Certain of the amendments related to timing of the recognition of tax benefits and tax withholding requirements should be applied using a modified retrospective transition method. Amendments related to the presentation of the SCF should be applied retrospectively. All other provisions may be applied on a prospective or modified retrospective basis. For further information regarding the impact of the adoption of this ASU see Note 10.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses, which changes the criteria under which credit losses are measured. The amendment introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to perform credit loss estimates. The guidance will be effective for the fiscal year beginning after December 15, 2019, including interim periods within that year. The Company does not intend to adopt the new standard early and is currently evaluating the impact the new guidance will have on its financial position, results of operations and cash flows; however, it is expected that the new CECL model will alter the assumptions used in calculating credit losses, given the change to estimated losses for the estimated life of the financial asset, and will likely result in material changes to the Company’s credit and capital reserves.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. This update amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The ASU’s amendments add or clarify guidance on eight cash flow issues including debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. Early adoption is permitted, including adoption in an interim period, however any adjustments should be reflected as of the beginning of the fiscal year that includes the period of adoption. All of the amended guidance must be adopted in the same period. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory, which will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. This eliminates the current exception for all intra-entity transfers of an asset other than inventory that requires deferral of the tax effects until the asset is sold to a third party or otherwise recovered through use. The guidance will be effective for the Company for annual reporting periods beginning after December 15, 2017, including interim reporting periods. Early adoption is permitted at the beginning of an annual reporting period for which annual or interim financial statements have not been issued or made available for issuance. The Company is in the process of evaluating the impacts of the adoption of this ASU.

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810), Interest Held Through Related Parties That Are Under Common Control. which amends the guidance in U.S. GAAP on related parties that are under common control. Specifically, the new ASU requires that a single decision maker consider indirect interests held by related parties under common control on a proportionate basis in a manner consistent with its evaluation of indirect interests held through other related parties. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company does not expect the adoption of this ASU to have a significant impact on its financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (A consensus of the FASB Emerging Issues Task Force), which requires that the statement of cash flows include restricted cash in the beginning and end-of-period total amounts shown on the statement of cash flows and that the statement of cash flows explain changes in restricted cash during the period. The guidance will be effective for the Company for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, however, adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect the adoption of this ASU to have an impact on its financial position or results of operations and expects the impact to be disclosure only.

In January 2017, the FASB issued ASU 2017-1, Business Combinations (Topic 805): Clarifying the Definition of a Business. The new guidance revises the definition of a business, potentially affecting areas of accounting such as acquisitions, disposals, goodwill impairment, and consolidation. Under the new guidance, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the assets acquired (or disposed of) would not represent a business. If this initial screen is met, no further analysis would be required. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create an output. In addition, the amendments narrow the definition of the term “output” so that it is consistent with how outputs are defined in ASC Topic 606, Revenue from Contracts with Customers. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2017, with earlier adoption permitted. Adoption of the amendments must be applied on a prospective basis. The Company is in the process of evaluating the impacts of the adoption of this ASU.

On January 26, 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill & Other (Topic 350): Simplifying the Accounting for Goodwill Impairment. It removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. The new rules state that a goodwill impairment will be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The revised guidance will be applied prospectively, and is effective for calendar year-end SEC filers in 2020. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company is in the process of evaluating the impacts of the adoption of this ASU.

2. Finance Receivables

Held For Investment

Finance receivables held for investment, net is comprised of the following at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Retail installment contracts acquired individually	$23,219,724	$23,004,065
Purchased receivables	158,264	239,551
Receivables from dealers	68,707	76,025
Personal loans	12,272	941
Capital lease receivables (Note 3)	22,034	47,206
	$23,481,001	$23,367,788

The Company's held for investment portfolio of retail installment contracts acquired individually, receivables from dealers, and personal loans was comprised of the following at December 31, 2016 and 2015:

	December 31, 2016		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans (a)
Unpaid principal balance	$27,127,973	$ 69,431	$19,361
Credit loss allowance - specific	(1,611,295)	—	—
Credit loss allowance - collective	(1,799,760)	(724)	—
Discount	(559,116)	—	(7,721)
Capitalized origination costs and fees	61,922	—	632
Net carrying balance	$23,219,724	$ 68,707	$12,272

(a)As of December 31, 2016, there were lower of cost or market adjustments of $7,521 included in the discount on personal loans.

	December 31, 2015		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers	Personal Loans
Unpaid principal balance	$26,863,946	$ 76,941	$ 941
Credit loss allowance - specific	(1,363,023)	—	—
Credit loss allowance - collective	(1,834,391)	(916)	—
Discount	(722,701)	—	—
Capitalized origination costs	60,234	—	—
Net carrying balance	$23,004,065	$ 76,025	$ 941

Retail installment contracts are collateralized by vehicle titles, and the Company has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract. Most of the Company's retail installment contracts held for investment are pledged against warehouse facilities or securitization bonds (Note 6). Most of the borrowers on the Company's retail installment contracts are retail consumers; however, $848,918 and $1,087,024 of the unpaid principal balance represented fleet contracts with commercial borrowers as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, borrowers on the Company's retail installment contracts held for investment are located in Texas (17%), Florida (13%), California (10%), Georgia (5%) and other states each individually representing less than 5% of the Company's total.

During the year ended December 31, 2016, the Company originated more than $8.0 billion in Chrysler Capital loans which represented 49% of total retail installment contract originations, as well as more than $5.5 billion in Chrysler Capital leases. As of December 31, 2016, SC's auto retail installment contract portfolio consisted of $7.4 billion of Chrysler Capital loans which represents 32% of SC's auto retail installment contract portfolio.

Purchased receivables portfolios, which were acquired with deteriorated credit quality, were comprised of the following at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Outstanding balance	$ 231,360	$ 362,212
Outstanding recorded investment, net of impairment	$ 159,451	$ 239,551

23

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

	For the Year Ended December 31,		
	2016	2015	2014
Balance — beginning of year	$178,582	$268,927	$407,490
Accretion of accretable yield	(69,701)	(91,157)	(199,151)
Reclassifications from nonaccretable difference	(1,840)	812	60,588
Balance — end of year	$107,041	$178,582	$268,927

During the years ended December 31, 2016 and 2015, the Company recognized certain retail installment loans with an unpaid principal balance of $466,050 and $95,596 , respectively, which were previously held by non-consolidated securitization Trusts, under an optional clean-up call (Note 7). Following the initial recognition of these loans at fair value, the performing loans in the portfolio will be carried at amortized cost, net of allowance for credit losses. The Company elected the fair value option for all non-performing loans acquired (more than 60 days delinquent as of the re-recognition date), for which it was probable that not all contractually required payments would be collected (Note 15).

Receivables from dealers held for investment includes a term loan with a third-party vehicle dealer and lender that operates in multiple states. The loan allowed committed borrowings of $50,000 at December 31, 2016 and 2015, and the unpaid principal balance of the facility was $50,000 at each of those dates. The term loan will mature on December 31, 2018. The Company had accrued interest on this term loan of $165 and $156 at December 31, 2016 and 2015, respectively.

The remaining receivables from dealers held for investment are all Chrysler Agreement-related. As of December 31, 2016, borrowers on these dealer receivables are located in Virginia (53%), New York (24%), Mississippi (13%), Missouri (9%) and Wisconsin (1%).

As of September 30, 2015, the Company determined that it no longer had the intent to hold its personal loans for investment and that classification of all personal loans as held for sale was appropriate as of that date. In connection with the reclassification to held for sale, the Company transferred the personal loan portfolio at the lower of cost or market with the lower of cost or market adjustment being charged off against the credit loss allowance. Loan originations and purchases under the Company’s personal lending platform subsequent to September 30, 2015, also are classified as held for sale. Following the reclassification of personal loans to held for sale, further adjustments to the recorded investment in personal loans held for sale, whether due to customer default or declines in market value, are recorded in investment gains (losses), net in the consolidated statement of income and comprehensive income (Note 18). On February 1, 2016, the Company sold personal loans with an unpaid principal balance of $869,349 to a third party for an immaterial gain.

At December 31, 2015, the Company determined that its intent to sell certain non-performing personal loans had changed and now expects to hold these loans through their maturity. The Company recorded a lower of cost or market adjustment through investment gains (losses), net, immediately prior to transferring the loans to finance receivables held for investment at their new recorded investment. The carrying value of these loans was $539 and $941 as of December 31, 2016 and 2015, respectively.

At September 30, 2016, the Company determined that its intent to sell certain personal revolving loans had changed and now expects to hold these loans through their maturity. The Company recorded a lower of cost or market adjustment through investment gains (losses), net, immediately prior to transferring the loans to finance receivables held for investment at their new recorded investment. The carrying value of these loans was $11,733 at December 31, 2016.

Held For Sale

The carrying value of the Company's finance receivables held for sale was comprised of the following at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Retail installment contracts acquired individually	$ 1,045,815	$ 905,161
Personal loans	1,077,600	1,954,414
Total assets held for sale	$ 2,123,415	$ 2,859,575

Sales of retail installment contracts to third parties and proceeds from sales of charged-off assets for the years ended December 31, 2016, 2015, and 2014 were as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Sales of retail installment contracts to third parties	$ 3,694,019	$ 7,862,520	$ 6,620,620
Proceeds from sales of charged-off assets	64,847	122,436	26,674

The Company retains servicing of retail installment contracts sold to third parties. Total contracts sold to unrelated third parties and serviced as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Serviced balance of retail installment contracts and leases sold to third parties	$ 10,116,788	$ 12,155,844

3. Leases

The Company has both operating and capital leases, which are separately accounted for and recorded on the Company's consolidated balance sheets. Operating leases are reported as leased vehicles, net, while capital leases are included in finance receivables held for investment, net.

Operating Leases

Leased vehicles, net, which is comprised of leases originated under the Chrysler Agreement, consisted of the following as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Leased vehicles	$ 11,939,295	$ 8,836,710
Less: accumulated depreciation	(2,326,342)	(1,510,414)
Depreciated net capitalized cost	9,612,953	7,326,296
Manufacturer subvention payments, net of accretion	(1,066,531)	(845,142)
Origination fees and other costs	18,206	16,156
Net book value	$ 8,564,628	$ 6,497,310

During the year ended December 31, 2015, the Company executed bulk sales of Chrysler Capital leases with an aggregate depreciated net capitalized cost of $1,316,958 and a net book value of $1,155,171 to a third party. The bulk sales agreements included certain provisions whereby the Company agreed to share in residual losses for lease terminations with losses over a specific percentage threshold (Note 11). The Company retained servicing on the sold leases. Due to the accelerated depreciation permitted for tax purposes, these sales generated taxable gains of $784,365 that the Company deferred through a qualified like-kind exchange program. Taxable gains of $327 that did not qualify for deferral was recognized upon expiration of the reinvestment period. No such bulk sales occurred during the year ended December 31, 2016.

The following summarizes the future minimum rental payments due to the Company as lessor under operating leases as of December 31, 2016:

2017	$1,448,022
2018	895,461
2019	268,156
2020	12,552
2021	—
Thereafter	—
Total	$2,624,191

Capital Leases

Certain leases originated by the Company are accounted for as capital leases, as the contractual residual values are nominal amounts. Capital lease receivables, net consisted of the following as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Gross investment in capital leases	$ 39,417	$ 91,393
Origination fees and other	150	155
Less unearned income	(7,545)	(24,464)
Net investment in capital leases before allowance	32,022	67,084
Less: allowance for lease losses	(9,988)	(19,878)
Net investment in capital leases	$ 22,034	$ 47,206

The following summarizes the future minimum lease payments due to the Company as lessor under capital leases as of December 31, 2016:

2017	$15,236
2018	14,420
2019	6,514
2020	2,280
2021	967
Thereafter	—
Total	$39,417

4. Credit Loss Allowance and Credit Quality

Credit Loss Allowance

The Company estimates the allowance for credit losses on individually acquired retail installment contracts and personal loans held for investment not classified as TDRs based on delinquency status, historical loss experience, estimated values of underlying collateral, when applicable, and various economic factors. In developing the allowance, the Company utilizes a loss emergence period assumption, a loss given default assumption applied to recorded investment, and a probability of default assumption based on a loss forecasting model. The loss emergence period assumption represents the average length of time between when a loss event is first estimated to have occurred and when the account is charged off. The recorded investment represents unpaid principal balance adjusted for unaccreted net discounts, subvention from manufacturers, and origination costs. Under this approach, the resulting allowance represents the expected net losses of recorded investment inherent in the portfolio. For loans classified as TDRs, impairment is measured based on the present value of expected future cash flows discounted at the original effective interest rate.

The Company maintains a general credit loss allowance for receivables from dealers based on risk ratings, and individually evaluates loans for specific impairment as necessary. The credit loss allowance for receivables from

26

dealers is comprised entirely of general allowances as none of these receivables have been determined to be individually impaired.
The activity in the credit loss allowance for individually acquired loans for the years ended December 31, 2016, 2015, and 2014 were as follows:

	Year Ended December 31, 2016	
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment
Balance — beginning of year	$3,197,414	$ 916
Provision for credit losses	2,471,490	201
Charge-offs	(4,723,649)	(393)
Recoveries	2,465,800	—
Balance — end of year	$3,411,055	$ 724

	Year Ended December 31, 2015		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Personal Loans
Balance — beginning of year	$2,586,685	$ 674	$348,660
Provision for credit losses	2,433,617	242	324,634
Charge-offs (a)	(3,897,480)	—	(695,918)
Recoveries	2,101,709	—	22,624
Impact of loans transferred to held for sale	(27,117)	—	—
Balance — end of year	$3,197,414	$ 916	$—

(a) Charge-offs of retail installment contracts acquired individually and personal loans include lower of cost or market adjustments of $73,388 and $377,598, respectively, which were charged off against the credit loss allowance.

	Year Ended December 31, 2014		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Personal Loans
Balance — beginning of year	$1,949,048	$ 1,090	$179,350
Provision for credit losses	2,101,744	(416)	434,030
Charge-offs	(3,187,803)	—	(286,331)
Recoveries	1,723,696	—	21,611
Balance — end of year	$2,586,685	$ 674	$348,660

The impairment activity related to purchased receivables portfolios for the years ended December 31, 2016, 2015, and 2014 was as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Balance — beginning of year	$172,308	$186,126	$210,208

Incremental provisions for purchased receivables portfolios	805	475	19,448
Incremental reversal of provisions for purchased receivables portfolios	(3,790)	(14,293)	(43,530)
Balance — end of year	$169,323	$172,308	$186,126

The Company estimates lease losses on the capital lease receivable portfolio based on delinquency status and loss experience to date, as well as various economic factors. The activity in the lease loss allowance for capital leases for the years ended December 31, 2016, 2015, and 2014 was as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Balance — beginning of year	$19,878	$9,589	$—
Provision for credit losses	(506)	41,196	9,991
Charge-offs	(33,476)	(64,209)	(804)
Recoveries	24,092	33,302	402
Balance — end of year	$9,988	$19,878	$9,589

Delinquencies

Retail installment contracts and personal amortizing term loans are classified as non-performing when they are greater than 60 days past due as to contractual principal or interest payments. Dealer receivables are classified as non-performing when they are greater than 90 days past due. At the time a loan is placed in non-performing status, previously accrued and uncollected interest is reversed against interest income. If an account is returned to a performing status, the Company returns to accruing interest on the contract.

The accrual of interest on revolving personal loans continues until the loan is charged off. The unpaid principal balance on revolving personal loans 90 days past due and still accruing totaled $129,974 and $110,972 as of December 31, 2016 and 2015, respectively.

A summary of delinquencies as of December 31, 2016 and 2015 is as follows:

	December 31, 2016		
	Retail Installment Contracts Held for Investment		
	Loans Acquired Individually	Purchased Receivables Portfolios	Total
Principal, 31-60 days past due	$2,735,577	$ 13,570	$2,749,147
Delinquent principal over 60 days	1,386,218	6,571	1,392,789
Total delinquent principal	$4,121,795	$ 20,141	$4,141,936

	December 31, 2015		
	Retail Installment Contracts Held for Investment		
	Loans Acquired Individually	Purchased Receivables Portfolios	Total
Principal, 31-60 days past due	$2,454,986	$ 30,442	$2,485,428
Delinquent principal over 60 days	1,191,567	17,297	1,208,864
Total delinquent principal	$3,646,553	$ 47,739	$3,694,292

The balances in the above tables reflect total unpaid principal balance rather than net investment before allowance. As of December 31, 2016 and 2015, there were no receivables from dealers that were 31 days or more delinquent. As of December 31, 2016 and 2015, there were $33,886 and zero, respectively, of retail installment contracts held for sale that were 31 days or more delinquent.

FICO® Distribution - A summary of the credit risk profile of the Company's consumer loans by FICO® distribution, determined at origination, as of December 31, 2016 and 2015 was as follows:

FICO® Band	December 31, 2016	December 31, 2015
Commercial (a)	3.1%	4.0%
No-FICOs	12.2%	12.2%
<540	22.1%	23.4%
540-599	31.4%	30.9%
600-639	17.4%	17.3%
>640	13.8%	12.2%

(a) No FICO score is obtained on loans to commercial borrowers.

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

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

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

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

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

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

The Company's risk department performs a commercial analysis and classifies certain loans over an internal threshold based on the classifications above. Fleet loan credit quality indicators for retail installment contracts held for investment with commercial borrowers as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Pass	$ 17,585	$ 39,270
Special Mention	2,790	5,466
Substandard	1,488	—
Doubtful	—	—
Loss	—	—
Unpaid principal balance	$ 21,863	$ 44,736

Commercial loan credit quality indicators for receivables from dealers held for investment as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Pass	$ 67,681	$ 68,873
Special Mention	—	8,068
Substandard	1,750	—
Doubtful	—	—
Loss	—	—
Unpaid principal balance	$ 69,431	$ 76,941

Troubled Debt Restructurings

In certain circumstances, the Company modifies the terms of its finance receivables to troubled borrowers. Modifications may include a reduction in interest rate, an extension of the maturity date, rescheduling of future cash flows, or a combination thereof. A modification of finance receivable terms is considered a TDR if the Company grants a concession to a borrower for economic or legal reasons related to the debtor's financial difficulties that would not otherwise have been considered. Management considers TDRs to include all individually acquired retail installment contracts that have been modified at least once, deferred for a period of 90 days or more, or deferred at least twice. Additionally, restructurings through bankruptcy proceedings are deemed to be TDRs. The purchased receivables portfolio and operating and capital leases are excluded from the scope of the applicable guidance. The Company's TDR balance as of December 31, 2016 and 2015 primarily consisted of loans that had been deferred or modified to receive a temporary reduction in monthly payment. As of December 31, 2016 and 2015, there were no receivables from dealers classified as a TDR.

For loans not classified as TDRs, the Company generally estimates an appropriate allowance for credit losses based on delinquency status, the Company's historical loss experience, estimated values of underlying collateral, and various economic factors. Once a loan has been classified as a TDR, it is assessed for impairment based on the present value of expected future cash flows discounted at the loan's original effective interest rate considering all available evidence.

The table below presents the Company's loans modified in TDRs as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
	Retail Installment Contracts	
Outstanding recorded investment	$5,637,792	$4,601,502
Impairment	(1,611,295)	(1,363,023)
Outstanding recorded investment, net of impairment	$4,026,497	$3,238,479

A summary of the Company's delinquent TDRs at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
	Retail Installment Contracts	
Principal, 31-60 days past due	$1,194,819	$ 942,021
Delinquent principal over 60 days	665,068	510,015
Total delinquent TDR principal	$1,859,887	$ 1,452,036

30

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

	For the Year Ended				
	December 31, 2016	December 31, 2015		December 31, 2014	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
Average outstanding recorded investment in TDRs	$5,079,782	$4,361,962	$17,150	$3,153,280	$14,061
Interest income recognized	802,048	716,054	2,220	509,004	1,679

The following table summarizes the financial effects, excluding impacts related to credit loss allowance and impairment, of TDRs that occurred for the years ended December 31, 2016, 2015, and 2014:

	For the Year Ended				
	December 31, 2016	December 31, 2015		December 31, 2014	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
Outstanding recorded investment before TDR	$3,394,308	$3,417,884	$15,418	$2,866,340	$18,443
Outstanding recorded investment after TDR	$3,419,990	$3,445,103	$15,340	$2,894,964	$18,359
Number of contracts (not in thousands)	191,385	198,325	12,501	171,167	16,614

A TDR is considered to have subsequently defaulted upon charge off, which for retail installment contracts is at the earlier of the date of repossession or 120 days past due and for revolving personal loans is generally the month in which the receivable becomes 180 days past due. Loan restructurings accounted for as TDRs within the previous twelve months that subsequently defaulted for the years ended December 31, 2016, 2015, and 2014 are summarized in the following table:

	For the Year Ended				
	December 31, 2016	December 31, 2015		December 31, 2014	
	Retail Installment Contracts	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
Recorded investment in TDRs that subsequently defaulted	$788,933	$788,297	$5,346	$516,349	$3,437
Number of contracts (not in thousands)	44,972	45,840	4,919	32,221	3,401

5. Goodwill and Intangibles

The Company has identified one operating segment which is also the reporting unit, Consumer Finance. Management uses a two-step method to test goodwill for impairment annually and in interim, if an event or circumstance occurs that would "more likely than not" reduce the fair value of the reporting unit to an amount below its carrying value. For the first step, the Company determines if impairment exists by estimating the fair value of the Consumer Finance reporting unit using the market capitalization method at the measurement date and comparing it to the carrying value. If the fair value is greater than the carrying value, then no goodwill impairment has occurred. If the carrying value is greater than fair value, then impairment has occurred the amount is measured in step two. Step two measures the impairment by comparing the implied fair value of the reporting unit's goodwill to its carrying value. In the second step, fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The Company completed its test of goodwill for impairment during the fourth quarter of 2016 and concluded that goodwill was not impaired. The carrying amount of goodwill for the years ended December 31, 2016, 2015, and 2014, was unchanged at $74,056. For each of the years ended December 31, 2016, 2015, and 2014, goodwill amortization of $5,463 was deductible for tax purposes.

The components of intangible assets at December 31, 2016 and 2015 were as follows:

	December 31, 2016			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:				
Customer relationships	10 years	12,400	(10,643)	$ 1,757
Software and technology	3 years	33,528	(19,762)	13,766
Trademarks	3 - 15 years	20,347	(3,247)	17,100
Total		$ 66,275	$ (33,652)	$ 32,623

	December 31, 2015			
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:				
Customer relationships	10 years	$ 12,400	$ (9,403)	$ 2,997
Software and technology	3 years	28,691	(16,672)	12,019
Trademarks	3 years	2,347	(2,347)	—
Intangible assets not subject to amortization - trademarks		18,000	—	18,000
Total		$ 61,438	$ (28,422)	$ 33,016

Effective April 1, 2016, the Company changed its estimate of the useful life of its trademark intangible to better reflect the estimated periods during which the asset is expected to generate cash flows. The estimated remaining useful life of the intangible asset that previously was considered indefinite was reduced to 15 years. The effect of this change in estimate was to increase amortization expense by $900 for the period ended December 31, 2016.

The Company recognized impairment on intangible assets of zero, $3,500, and $16,800 during the years ended December 31, 2016, 2015, and 2014, respectively. Amortization expense on the assets was $8,411, $6,742, and $6,902 for the years ended December 31, 2016, 2015, and 2014, respectively. Estimated future amortization expense is as follows:

2017	$ 8,994
2018	6,592
2019	3,537
2020	1,200
2021	1,200
Thereafter	11,100
Total	$ 32,623

The weighted average remaining useful life for the Company's amortizing intangible assets was 8.5 years, 2.9 years, and 3.1 years at December 31, 2016, 2015, and 2014, respectively.

6. Debt

Revolving Credit Facilities

The following table presents information regarding credit facilities as of December 31, 2016 and 2015:

	December 31, 2016					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Facilities with third parties:						
Warehouse line	January 2018	$153,784	$500,000	3.17%	$213,578	$—
Warehouse line	Various (a)	462,085	1,250,000	2.52%	653,014	14,916
Warehouse line (b)	August 2018	534,220	780,000	1.98%	608,025	24,520
Warehouse line (c)	August 2018	3,119,943	3,120,000	1.91%	4,700,774	70,991
Warehouse line	October 2018	702,377	1,800,000	2.51%	994,684	23,378
Repurchase facility (d)	December 2017	507,800	507,800	2.83%	—	22,613
Repurchase facility (d)	April 2017	235,509	235,509	2.04%	—	—
Warehouse line	November 2018	578,999	1,000,000	1.56%	850,758	17,642
Warehouse line	October 2018	202,000	400,000	2.22%	290,867	5,435
Warehouse line	November 2018	—	500,000	2.07%	—	—
Warehouse line	October 2017	243,100	300,000	2.38%	295,045	9,235
Total facilities with third parties		6,739,817	10,393,309		8,606,745	188,730
Lines of credit with Santander and related subsidiaries (e):						
Line of credit	December 2017	500,000	500,000	3.04%	—	—
Line of credit	December 2018	175,000	500,000	3.87%	—	—
Line of credit	December 2017	1,000,000	1,000,000	2.86%	—	—
Line of credit	December 2018	1,000,000	1,000,000	2.88%	—	—
Line of credit	March 2017	300,000	300,000	2.25%	—	—
Line of credit	March 2019	—	3,000,000	3.74%	—	—
Total facilities with Santander and related subsidiaries		2,975,000	6,300,000		—	—
Total revolving credit facilities		$9,714,817	$16,693,309		$8,606,745	$188,730

(a) Half of the outstanding balance on this facility matures in March 2017 and half matures in March 2018.

(b) This line is held exclusively for financing of Chrysler Capital loans.

(c) This line is held exclusively for financing of Chrysler Capital leases.

(d) The repurchase facilities are collateralized by securitization notes payable retained by the Company. These facilities have rolling maturities of up to one year.

(e) These lines are also collateralized by securitization notes payable and residuals retained by the Company. As of December 31, 2016 and December 31, 2015, $1,316,568 and $1,420,584, respectively, of the aggregate outstanding balances on these facilities were unsecured.

	December 31, 2015					
	Maturity Date(s)	Utilized Balance	Committed Amount	Effective Rate	Assets Pledged	Restricted Cash Pledged
Facilities with third parties:						
Warehouse line	June 2016	$378,301	$500,000	1.48%	$535,737	$—
Warehouse line	Various	808,135	1,250,000	1.29%	1,137,257	24,942
Warehouse line	July 2017	682,720	1,260,000	1.35%	809,185	20,852
Warehouse line	July 2017	2,247,443	2,940,000	1.41%	3,412,321	48,589
Warehouse line	December 2017	944,877	2,000,000	1.56%	1,345,051	32,038
Repurchase facility	December 2016	850,904	850,904	2.07%	—	34,166
Warehouse line	September 2017	565,399	1,000,000	1.20%	824,327	15,759
Warehouse line	November 2016	175,000	175,000	1.90%	—	—
Warehouse line	November 2016	250,000	250,000	1.90%	—	2,501
Total facilities with third parties		6,902,779	10,225,904		8,063,878	178,847
Lines of credit with Santander and related subsidiaries:						
Line of credit	December 2016	500,000	500,000	2.65%	—	—
Line of credit	December 2018	—	500,000	3.48%	—	—
Line of credit	December 2016	1,000,000	1,750,000	2.61%	—	—
Line of credit	December 2018	800,000	1,750,000	2.84%	—	—
Line of credit	March 2017	300,000	300,000	1.88%	—	—
Total facilities with Santander and related subsidiaries		2,600,000	4,800,000		—	—
Total revolving credit facilities		$9,502,779	$15,025,904		$8,063,878	$178,847

Facilities with Third Parties

The warehouse lines and repurchase facility are fully collateralized by a designated portion of the Company’s retail installment contracts (Note 2), leased vehicles (Note 3), securitization notes payables and residuals retained by the Company.

Lines of Credit with Santander and Related Subsidiaries

Through its New York branch, Santander provides the Company with $3,000,000 of long-term committed revolving credit facilities. Through SHUSA, Santander provides the Company with an additional $3,300,000 of committed revolving credit, $300,000 of which is collateralized by residuals retained on its own securitizations, and $3,000,000 of committed revolving credit that can be drawn on an unsecured basis.

These facilities offered through the New York branch are structured as three and five-year floating rate facilities, with current commitment termination dates of December 2017 and 2018. These facilities currently permit unsecured borrowings but generally are collateralized by retail installment contracts and retained residuals. Any balances outstanding under the facility at the time of its commitment termination date will amortize to match the maturities and expected cash flows of the corresponding collateral.

Secured Structured Financings

The following table presents information regarding secured structured financings as of December 31, 2016 and 2015:

	December 31, 2016					
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2012 Securitizations	September 2018	$197,470	$2,525,540	0.92%-1.23%	$312,710	$73,733
2013 Securitizations	January 2019 - January 2021	1,172,904	6,689,700	0.89%-1.59%	1,484,014	222,187
2014 Securitizations	February 2020 - January 2021	1,858,600	6,391,020	1.16%-1.72%	2,360,939	250,806
2015 Securitizations	September 2019 - January 2023	4,326,292	9,317,032	1.33%-2.29%	5,743,884	468,787
2016 Securitizations	April 2022 - March 2024	5,881,216	7,462,790	1.63%-2.46%	7,572,977	408,086
Public securitizations (a)		13,436,482	32,386,082		17,474,524	1,423,599
2010 Private issuances	June 2011	113,157	516,000	1.29%	213,235	6,270
2011 Private issuances	December 2018	342,369	1,700,000	1.46%	617,945	31,425
2013 Private issuances	September 2018-September 2020	2,375,964	2,693,754	1.13%-1.38%	4,122,963	164,740
2014 Private issuances	March 2018 - December 2021	643,428	3,271,175	1.05%-1.40%	1,129,506	68,072
2015 Private issuances	December 2016 - July 2019	2,185,166	2,855,062	0.88%-2.81%	2,384,661	140,269
2016 Private issuances	May 2020 - September 2024	2,512,323	3,050,000	1.55%-2.86%	3,553,577	90,092
Privately issued amortizing notes		8,172,407	14,085,991		12,021,887	500,868
Total secured structured financings		$21,608,889	$46,472,073		$29,496,411	$1,924,467

(a)Securitizations executed under Rule 144A of the Securities Act are included within this balance.

	December 31, 2015					
	Original Estimated Maturity Date(s)	Balance	Initial Note Amounts Issued	Initial Weighted Average Interest Rate	Collateral	Restricted Cash
2012 Securitizations	September 2018	$433,771	$2,525,540	0.92%-1.23%	$580,581	$84,231
2013 Securitizations	January 2019 - January 2021	2,000,915	6,689,700	0.89%-1.59%	2,577,552	267,623
2014 Securitizations	February 2020 - January 2021	2,956,273	6,391,020	1.16%-1.72%	3,894,365	313,356
2015 Securitizations	September 2019 - January 2023	7,269,037	9,317,032	1.33%-2.29%	9,203,569	577,647
Public securitizations		12,659,996	24,923,292		16,256,067	1,242,857

2010 Private issuances	June 2011	108,201	516,000	1.29%	240,026	6,855
2011 Private issuances	December 2018	708,884	1,700,000	1.46%	1,142,853	50,432
2013 Private issuances	September 2018-September 2020	2,836,420	2,693,754	1.13%-1.38%	4,311,481	143,450
2014 Private issuances	March 2018 - December 2021	1,541,970	3,271,175	1.05%-1.40%	2,192,495	95,325
2015 Private issuances	November 2016 - May 2020	3,017,429	3,548,242	0.88%-2.81%	3,608,497	161,778
Privately issued amortizing notes		8,212,904	11,729,171		11,495,352	457,840
Total secured structured financings		$20,872,900	$36,652,463		$27,751,419	$1,700,697

Notes Payable — Secured Structured Financings

The principal and interest on secured structured financings are paid using the cash flows from the underlying retail installment contracts, loans and leases, which serve as collateral for the notes. Accordingly, the timing of the principal payments on these notes is dependent on the payments received on the underlying retail installment contracts, which back the notes. The final contractual maturity and weighted average interest rate by year on these notes at December 31, 2016, were as follows:

2017, .76%	$1,878,808
2018, 2.19%	418,091
2019, 1.82%	4,600,486
2020, 2.27%	5,122,732
2021, 2.79%	4,659,967
Thereafter, 3.09%	4,972,792
	$21,652,876
Less: unamortized costs	(43,987)
Notes payable - secured structured financings	$21,608,889

The Company’s secured structured financings consist of both public, SEC-registered securitizations, as well as private securitizations under Rule 144A of the Securities Act and privately issued amortizing notes. The Company also executes private securitizations under Rule 144A of the Securities Act and periodically issues private term amortizing notes, which are structured similarly to securitizations but are acquired by banks and conduits. The Company’s securitizations and private issuances are collateralized by vehicle retail installment contracts and loans or leases. As of December 31, 2016 and 2015, the Company had private issuances of notes backed by vehicle leases totaling $3,862,274 and $3,228,240, respectively.

Unamortized debt issuance costs are amortized as interest expense over the terms of the related notes payable using a method that approximates the effective interest method and are classified as a discount to the related recorded debt balance. Amortized debt issuance costs were $27,111, $23,338, and $14,599 for the years ended December 31, 2016, 2015, and 2014, respectively. For securitizations, the term takes into consideration the expected execution of the contractual call option, if applicable. Amortization of premium or accretion of discount on acquired notes payable is also included in interest expense using a method that approximates the effective interest method over the estimated remaining life of the acquired notes. Total interest expense on secured structured financings for the years ended December 31, 2016, 2015, and 2014 was $420,153, $291,247, and $238,394, respectively.

7. Variable Interest Entities

The Company transfers retail installment contracts and leased vehicles into newly formed Trusts that then issue one or more classes of notes payable backed by the collateral. The Company’s continuing involvement with these Trusts is in the form of servicing the assets and, generally, through holding residual interests in the Trusts. These transactions are structured without recourse. The Trusts are considered VIEs under U.S. GAAP and, when the Company holds the residual interest, are consolidated because the Company has: (a) power over the significant activities of each entity as servicer of its financial assets and (b) through the residual interest and in some cases debt securities held by the Company, an obligation to absorb losses or the right to receive benefits from each VIE that are potentially significant to the VIE. When the Company does not retain any debt or equity interests in its securitizations or subsequently sells such interests it records these transactions as sales of the associated retail installment contracts.

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

Revolving credit facilities generally also utilize entities that are considered VIEs which are included on the consolidated balance sheets.

The Company also uses a titling trust to originate and hold its leased vehicles and the associated leases, in order to facilitate the pledging of leases to financing facilities or the sale of leases to other parties without incurring the costs and administrative burden of retitling the leased vehicles. This titling trust is considered a VIE.

On-balance sheet variable interest entities

The Company retains servicing for receivables transferred to the Trusts and receives a monthly servicing fee on the outstanding principal balance. Supplemental fees, such as late charges, for servicing the receivables are reflected in fees, commissions and other income. As of December 31, 2016 and 2015, the Company was servicing $27,802,971 and $27,995,907, respectively, of gross retail installment contracts that have been transferred to consolidated Trusts. The remainder of the Company’s retail installment contracts remain unpledged.

A summary of the cash flows received from consolidated securitization trusts for the years ended December 31, 2016, 2015, and 2014, is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Assets securitized	$15,828,921	$18,516,641	$14,251,258
Net proceeds from new securitizations (a)	$13,319,530	$15,232,692	$11,948,421
Net proceeds from sale of retained bonds	436,812	—	—
Cash received for servicing fees (b)	787,778	700,156	632,957
Net distributions from Trusts (b)	1,748,013	1,960,418	1,829,754
Total cash received from Trusts	$16,292,133	$17,893,266	$14,411,132

(a) Includes additional advances on existing securitizations.

(b) These amounts are not reflected in the accompanying consolidated statements of cash flows because the cash flows are between the VIEs and other entities included in the consolidation.

Off-balance sheet variable interest entities

The Company has completed sales to VIEs that met sale accounting treatment in accordance with the applicable guidance. Due to the nature, purpose, and activity of the transactions, the Company determined for consolidation purposes that it either does not hold potentially significant variable interests or is not the primary beneficiary as a result of the Company's limited further involvement with the financial assets. For such transactions, the transferred financial assets are removed from the Company's consolidated balance sheets. In certain situations, the Company remains the servicer of the financial assets and receives servicing fees that represent adequate compensation. The Company also recognizes a gain or loss for the difference between the cash proceeds and carrying value of the assets sold.

During the years ended December 31, 2016, 2015, and 2014 the Company sold $886,288, $1,557,099, and $1,802,461, respectively, of gross retail installment contracts to VIEs in off-balance sheet securitizations for a gain (loss) of $(10,511), $59,983, and $72,443, respectively, recorded in investment gains (losses), net, in the accompanying consolidated statements of income. As of December 31, 2016 and 2015, the Company was servicing $2,741,101 and $2,663,494, respectively, of gross retail installment contracts that have been sold in these and other off-balance sheet Chrysler Capital securitizations. Other than repurchases of sold assets due to standard representations and warranties, the Company has no exposure to loss as a result of its involvement with these VIEs.

A summary of the cash flows received from these off-balance sheet securitization trusts for the years ended December 31, 2016, 2015, and 2014, is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Receivables securitized (a)	$904,108	$1,557,099	$1,802,461
Net proceeds from new securitizations	$876,592	$1,578,320	$1,894,052
Cash received for servicing fees	47,804	23,848	17,000
Total cash received from securitization trusts	$924,396	$1,602,168	$1,911,052

(a) Represents the unpaid principal balance at the time of original securitization.

During the year ended December 31, 2015, the Company settled transactions to sell residual interests in certain Trusts and certain retained bonds in those Trusts to an unrelated third party. The Company received cash proceeds of $661,675 for the year ended December 31, 2015 related to the sale of these residual interests and retained bonds.

Each of these Trusts was previously determined to be a VIE. Prior to the sale of these residual interests, the associated Trusts were consolidated by the Company because the Company held a variable interest in each VIE and had determined that it was the primary beneficiary of the VIEs. The Company will continue to service the loans of these Trusts and may reacquire certain retail installment loans from the Trusts through the exercise of an optional clean-up call, as permitted through the respective servicing agreements. Although the Company will continue to service the loans in the associated Trusts and, therefore, will have the power to direct the activities that most significantly impact the economic performance of the trust, the Company concluded that it was no longer the primary beneficiary of the Trusts upon the sale of the Company's residual interests. As a result, the Company deconsolidated the assets and liabilities of the corresponding trusts upon their sale.

Upon settlement of these transactions, the Company derecognized $1,919,171 in assets and $1,183,792 in notes payable and other liabilities of the trust. For the year ended December 31, 2015 the sale of these interests resulted in a net decrease to provision for credit losses of $112,804, after giving effect to lower of cost or market adjustments of $73,388.

8. Derivative Financial Instruments

The Company manages its exposure to changing interest rates using derivative financial instruments. In certain circumstances, the Company is required to hedge its interest rate risk on its secured structured financings and the borrowings under its revolving credit facilities. The Company uses both interest rate swaps and interest rate caps to satisfy these requirements and to hedge the variability of cash flows on securities issued by securitization Trusts and borrowings under the Company's warehouse facilities. Certain of the Company’s interest rate swap agreements are designated as cash flow hedges for accounting purposes. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (AOCI), to the extent that the hedge relationships are effective, and amounts are reclassified from AOCI to earnings as the forecasted transactions impact earnings. Ineffectiveness, if any, associated with changes in the fair value of derivatives designated as cash flow hedges is recorded currently in earnings.

The Company’s remaining interest rate swap agreements, as well as its interest rate cap agreements, the corresponding options written to offset the interest rate cap agreements, total return swaps and a total return settlement agreement were not designated as hedges for accounting purposes. Changes in the fair value and settlements of derivative instruments not designated as hedges for accounting purposes are reflected in earnings as a component of interest expense.

The underlying notional amounts and aggregate fair values of these agreements at December 31, 2016 and 2015, were as follows:

	December 31, 2016		December 31, 2015	
	Notional	Fair Value	Notional	Fair Value
Interest rate swap agreements designated as cash flow hedges	$7,854,700	$44,618	$9,150,000	$1,706
Interest rate swap agreements not designated as hedges	1,019,900	1,939	2,399,000	(1,306)
Interest rate cap agreements	9,463,935	76,269	10,013,912	32,951
Options for interest rate cap agreements	9,463,935	(76,281)	10,013,912	(32,977)
Total return settlement	658,471	(30,618)	1,404,726	(53,432)

The aggregate fair value of the interest rate swap agreements was included on the Company’s consolidated balance sheets in other assets and other liabilities, as appropriate. The interest rate cap agreements were included in other assets and the related options in other liabilities on the Company’s consolidated balance sheets. The fair value of the total return swap was included in other liabilities on the Company's consolidated balance sheets. See Note 15 for additional disclosure of fair value and balance sheet location of the Company's derivative financial instruments.

The Company is the holder of a warrant that gives it the right, if certain vesting conditions are satisfied, to purchase additional shares in a company in which it has a cost method investment. This warrant was issued in 2012 and is carried at its estimated fair value of zero at December 31, 2016 and 2015.

The Company is obligated to make purchase price holdback payments on a periodic basis to a third-party originator of loans that the Company has purchased, when losses are lower than originally expected. The Company also is obligated to make total return settlement payments to this third-party originator in 2016 and 2017 if returns on the purchased loans are greater than originally expected. As of December 31, 2016, all purchase price payments and all total return settlement payments due in 2016 have been made. These purchase price holdback payments and total return settlement payments are considered to be derivatives, collectively referred to herein as “total return settlement,” and accordingly are marked to fair value each reporting period.

The Company enters into legally enforceable master netting agreements that reduce risk by permitting netting of transactions, such as derivatives and collateral posting, with the same counterparty on the occurrence of certain events. A master netting agreement allows two counterparties the ability to net-settle amounts under all contracts, including any related collateral posted, through a single payment. The right to offset and certain terms regarding the collateral process, such as valuation, credit events and settlement, are contained in ISDA master agreements. The Company has elected to present derivative balances on a gross basis even if the derivative is subject to a legally enforceable master netting (ISDA) agreement. Collateral that is received or pledged for these transactions is disclosed within the “Gross amounts not offset in the Condensed Consolidated Balance Sheet” section of the tables below.

Information on the offsetting of derivative assets and derivative liabilities due to the right of offset was as follows, as of December 31, 2016 and 2015:

	Offsetting of Financial Assets					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received (a)	Net Amount
December 31, 2016						
Interest rate swaps - Santander & affiliates	$5,372	$ —	$ 5,372	$ —	$ —	$5,372
Interest rate swaps - third party	42,254	—	42,254	—	(22,100)	20,154
Interest rate caps - Santander & affiliates	7,593	—	7,593	—	—	7,593
Interest rate caps - third party	68,676	—	68,676	—	—	68,676
Total derivatives subject to a master netting arrangement or similar arrangement	123,895	—	123,895	—	(22,100)	101,795
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative assets	$123,895	$ —	$ 123,895	$ —	$(22,100)	$101,795
Total financial assets	$123,895	$ —	$ 123,895	$ —	$(22,100)	$101,795
December 31, 2015						
Interest rate swaps - Santander & affiliates	$4,607	$ —	$ 4,607	$ —	$ —	$4,607
Interest rate swaps - third party	3,863	—	3,863	—	—	3,863
Interest rate caps - Santander & affiliates	12,724	—	12,724	—	—	12,724
Interest rate caps - third party	20,227	—	20,227	—	—	20,227
Total derivatives subject to a master netting arrangement or similar arrangement	41,421	—	41,421	—	—	41,421
Total derivatives not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivative assets	$41,421	$ —	$ 41,421	$ —	$ —	$41,421
Total financial assets	$41,421	$ —	$ 41,421	$ —	$ —	$41,421

(a) Cash collateral received is reported in Other liabilities or Due to affiliate, as applicable, in the consolidated balance sheet.

	Offsetting of Financial Liabilities					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledged (a)	Net Amount
December 31, 2016						
Interest rate swaps - Santander & affiliates	$546	$ —	$ 546	$—	$(546)	$—
Interest rate swaps - third party	524	—	524	—	(524)	—
Back to back - Santander & affiliates	7,593	—	7,593	—	(7,593)	—
Back to back - third party	68,688	—	68,688	—	(68,688)	—
Total derivatives subject to a master netting arrangement or similar arrangement	77,351	—	77,351	—	(77,351)	—
Total return settlement	30,618	—	30,618	—	—	30,618
Total derivatives not subject to a master netting arrangement or similar arrangement	30,618	—	30,618	—	—	30,618
Total derivative liabilities	$107,969	$ —	$ 107,969	$—	$(77,351)	$30,618
Total financial liabilities	$107,969	$ —	$ 107,969	$—	$(77,351)	$30,618
December 31, 2015						
Interest rate swaps - Santander & affiliates	$4,977	$ —	$ 4,977	$—	$(3,430)	$1,547
Interest rate swaps - third party	3,093	—	3,093	—	(3,093)	—
Back to back - Santander & affiliates	12,724	—	12,724	—	(12,270)	454
Back to back - third party	20,253	—	20,253	—	(20,253)	—
Total derivatives subject to a master netting arrangement or similar arrangement	41,047	—	41,047	—	(39,046)	2,001
Total return settlement	53,432	—	53,432	—	—	53,432
Total derivatives not subject to a master netting arrangement or similar arrangement	53,432	—	53,432	—	—	53,432
Total derivative liabilities	$94,479	$ —	$ 94,479	$—	$(39,046)	$55,433
Total financial liabilities	$94,479	$ —	$ 94,479	$—	$(39,046)	$55,433

(a) Cash collateral pledged is reported in Other assets or Due from affiliate, as applicable, in the consolidated balance sheet. In certain instances, the Company is over-collateralized since the actual amount of cash pledged as collateral exceeds the associated financial liability, as such, the actual amount of cash collateral pledged that is reported in Other assets or Due from affiliates may be greater than the amount shown in the table above.

The gross gains (losses) reclassified from accumulated other comprehensive income to net income, and gains (losses) recognized in net income, are included as components of interest expense. The Company’s derivative instruments had effects on its consolidated statements of income and comprehensive income for the years ended December 31, 2016, 2015, and 2014 as follows:

	December 31, 2016		
	Gains (Losses) Recognized In	Gross Gains (Losses)	Gross Gains (Losses) Reclassified From

	Interest Expense	Recognized in Accumulated Other Comprehensive Income	Accumulated Other Comprehensive Income To Interest Expense
Interest rate swap agreements designated as cash flow hedges	$1,131	$ (2,118)	$ (43,898)
Derivative instruments not designated as hedges:			
Gains (losses) recognized in operating expense	$(1,593)		

41

	December 31, 2015		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income To Interest Expense
Interest rate swap agreements designated as cash flow hedges	$223	$ (53,160)	$ (50,860)
Derivative instruments not designated as hedges:			
Gains (losses) recognized in interest expense	$(11,880)		
Gains (losses) recognized in operating expenses	$(10,973)		

	December 31, 2014		
	Gains (Losses) Recognized in Interest Expense	Gross Gains (Losses) Recognized in Accumulated Other Comprehensive Income	Gross Gains (Losses) Reclassified From Accumulated Other Comprehensive Income To Interest Expense
Interest rate swap agreements designated as cash flow hedges	$(708)	$ (23,015)	$ (33,235)
Derivative instruments not designated as hedges:			
Gains (losses) recognized in interest expense	$19,278		
Gains (losses) recognized in operating expenses	$(7,856)		

The ineffectiveness related to the interest rate swap agreements designated as cash flow hedges was insignificant for the years ended December 31, 2016, 2015, and 2014. The Company estimates that approximately $6,000 of unrealized losses included in accumulated other comprehensive income will be reclassified to interest expense within the next twelve months.

9. Other Assets

Other assets were comprised as follows:

	December 31, 2016	December 31, 2015
Upfront fee (a)	$ 95,000	$ 110,000
Vehicles (b)	257,382	203,906
Manufacturer subvention payments receivable (a)	161,447	132,856
Accounts receivable	22,480	27,028
Prepaids	46,177	33,183
Derivative assets (Note 8)	186,019	59,022
Other	16,905	16,296
Total	$ 785,410	$ 582,291

(a) These amounts relate to the Chrysler Agreement. The Company paid a $150,000 upfront fee upon the May 2013 inception of the agreement. The fee is being amortized into finance and other interest income over a ten-year term. As the preferred financing provider for FCA, the Company is entitled to subvention payments on loans and leases with below-market customer payments.

(b) Includes vehicles obtained through repossession as well as vehicles obtained due to lease terminations.

42

10. Income Taxes

The components of the provision for income taxes for the years ended December 31, 2016, 2015, and 2014, were as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Income before income taxes:			
Domestic	$942,436	$1,289,612	$1,121,135
Foreign	218,275	—	—
Total	$1,160,711	$1,289,612	$1,121,135
Current income tax expense (benefit):			
Federal	$2,481	$33,798	$(252,856)
State	3,273	4,491	31,639
Foreign	$8,738	$—	$—
Total current income tax expense (benefit)	14,492	38,289	(221,217)
Deferred income tax expense (benefit):			
Federal	343,816	387,686	598,065
State	35,944	39,597	19,003
Foreign	(7)	—	—
Total deferred income tax expense	379,753	427,283	617,068
Total income tax expense	$394,245	$465,572	$395,851

In December 2015, the Company formed a wholly-owned foreign subsidiary that is licensed in Puerto Rico as an IFE ("International Financial Entity") under the Government approved Act Number 273. This classification results in the granting of a tax decree securing a 4% fixed income tax rate and a number of non income tax benefits for an initial period of fifteen (15) years.

The Company provides U.S. income taxes on earnings of foreign subsidiaries unless the subsidiaries' earnings are considered indefinitely reinvested outside of the United States. As of December 31, 2016 and 2015, the Company has no earnings which are considered indefinitely reinvested outside of the United States.

The reconciliation of the federal statutory income tax rate to the Company’s effective income tax rates for the years ended December 31, 2016, 2015, and 2014, is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes — net of federal income tax benefit	2.5	2.3	1.6
Valuation allowance	(2.2)	(0.2)	0.6
Electric vehicle credit	(2.3)	(1.8)	(1.8)
Other	1.0	0.8	(0.1)
Effective income tax rate	34.0%	36.1%	35.3%

The Company is a party to a tax sharing agreement requiring that the unitary state tax liability among affiliates included in unitary state tax returns be allocated using the hypothetical separate company tax calculation method. Under the hypothetical separate company method, SC recorded a deemed contribution from affiliates in the amount of $1,424, which is included in additional paid-in capital section in the accompanying consolidated balance sheets. At December 31, 2016 and 2015, the Company had a net receivable from affiliates under the tax sharing agreement of $1,087 and $71, respectively, which was included in Related party taxes receivable in the consolidated balance sheet.

The tax effects of temporary differences between the financial reporting and income tax basis of assets and liabilities at December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Deferred tax assets:		
Debt issuance costs	$ 5,001	$ 3,502
Receivables	474,366	598,346
Capital loss carryforwards	—	27,013
Net operating loss carryforwards	603,136	196,172
Equity-based compensation	23,042	18,766
Credit carryforwards	127,933	79,037
Other	34,257	37,070
Total gross deferred tax assets	1,267,735	959,906
Deferred tax liabilities:		
Capitalized origination costs	(10,804)	(18,752)
Goodwill	(15,375)	(13,198)
Leased vehicles	(2,421,114)	(1,760,918)
Furniture and equipment	(9,638)	(13,212)
Derivatives	(17,635)	(768)
Unremitted foreign earnings	(67,720)	—
Other	(1,012)	(3,794)
Total gross deferred tax liabilities	(2,543,298)	(1,810,642)
Valuation allowance	(2,501)	(30,489)
Net deferred tax asset (liability)	$ (1,278,064)	$ (881,225)

At December 31, 2016 and 2015, the Company's largest deferred tax liability was leased vehicles of $2,421,114 and $1,760,918, respectively. The increase in this liability is due to accelerated depreciation taken for tax purposes.

The Company has a like-kind exchange program for the leased auto portfolio. Pursuant to the program, the Company disposes of vehicles and acquires replacement vehicles in a form whereby tax gains on disposal of eligible vehicles are deferred. To qualify for like-kind exchange treatment, the Company exchanges through a qualified intermediary eligible vehicles being disposed of with vehicles being acquired, allowing SC to generally carryover the tax basis of the vehicles sold ("like-kind exchanges"). The program results in a material deferral of federal and state income taxes, and a decrease in cash taxes in periods when the Company is not in a net operating loss (NOL) position. As part of the program, the proceeds from the sale of eligible vehicles are restricted for the acquisition of replacement vehicles and other specified applications.

The Company began generating qualified plug-in electric vehicle credits in 2013; the credit carryforwards will begin expiring in 2034.

In addition to the net operating losses included in deferred income tax assets in the above table, the Company had $70,929 of income tax deductions related to share-based payments that are in excess of the amount recognized in the accompanying financial statements as of December 31, 2016.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting effective for annual periods beginning after December 15, 2016 for public entities. ASU 2016-09 eliminates the requirement to recognize excess tax benefits in APIC pools, and instead requires companies to record all excess tax benefits and deficiencies at settlement, vesting or expiration in the income statement as provision for income taxes. At adoption of ASU 2016-09 on January 1, 2017, the cumulative-effect for previously unrecognized excess tax benefits will be recognized through an adjustment in beginning retained earnings, which at current income tax rates would approximate $26,467.

At December 31, 2016, the Company has federal net operating loss carryforwards of $1,725,112, which may be offset against future taxable income. If not utilized in future years, these will expire in varying amounts through 2036. The

Company has state net operating loss carryforwards of $521,898, which may be used against future taxable income. If not utilized in future years, these will expire in varying amounts through 2036.

As of December 31, 2016, the Company had recorded a valuation allowance for state tax net operating loss carryforwards for which it does not have a tax-planning strategy in place. During 2016, we determined that previously recorded valuation allowances for capital loss carryforwards were no longer required; and, accordingly, we reversed such allowances resulting in a tax benefit for that period. A rollforward of the valuation allowance for the years ended December 31, 2016, 2015, and 2014 is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Valuation allowance, beginning of year	$30,489	$32,901	$26,879
Provision (release)	(27,988)	(2,412)	6,022
Valuation allowance, end of year	$2,501	$30,489	$32,901

A reconciliation of the beginning and ending balances of gross unrecognized tax benefits for each of the years ended December 31, 2016, 2015, and 2014 is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Gross unrecognized tax benefits balance, January 1	$225	$166	$1,487
Additions for tax positions taken in the current year	16,606		
Additions for tax positions of prior years	—	70	5,472
Reductions for tax positions of prior years	(34)	(11)	(3,783)
Reductions as a result of a lapse of the applicable statute of limitations	—	—	(2,473)
Settlements	(61)	—	(537)
Gross unrecognized tax benefits balance, December 31	$16,736	$225	$166

At December 31, 2016, 2015, and 2014, there were $16,606, $95 and $26, respectively, of net unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. Accrued interest and penalties associated with uncertain tax positions are recognized as a component of the income tax provision. Accrued interest and penalties of $1,551, $85, and $55 are included with the related tax liability line in the accompanying consolidated balance sheets as of December 31, 2016, 2015, 2014, respectively.

At December 31, 2016, the Company believes that it is reasonably possible that a portion of the balance of the gross unrecognized tax benefits could decrease to zero in the next twelve months due to ongoing activities with various taxing jurisdictions that the Company expects may give rise to settlements or the expiration of statute of limitations. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Company is subject to examination by federal and state taxing authorities. Periods subsequent to December 31, 2010 are open for audit by the IRS. The SHUSA consolidated return, of which the Company is a part through December 31, 2011, is currently under IRS examination for 2011. The Company's separate returns for 2012, 2013, and 2014 are also under IRS examination. Periods subsequent to December 31, 2008, are open for audit by various state taxing authorities.

11. Commitments and Contingencies

The following table summarizes liabilities recorded for commitments and contingencies as of December 31, 2016 and 2015, all of which are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets:

Agreement or Legal Matter	Commitment or Contingency	December 31, 2016	December 31, 2015
Chrysler Agreement	Revenue-sharing and gain-sharing payments	$ 10,134	$ 12,054
Agreement with Bank of America	Servicer performance fee	9,797	6,331
Agreement with CBP	Loss-sharing payments	4,563	3,375
Chrysler Capital leases agreement	Payments to purchaser sharing residual losses	—	2,893
Legal and regulatory proceedings	Aggregate legal and regulatory liabilities	39,200	26,950

Following is a description of the agreements and legal matters pursuant to which the liabilities in the preceding table were recorded.

Chrysler Agreement

Under terms of the Chrysler Agreement, the Company must make revenue sharing payments to FCA and also must make gain-sharing payments to FCA when residual gains on leased vehicles exceed a specified threshold. The amount accrued for these payments at December 31, 2016 is $10,134.

The Chrysler Agreement requires, among other things, that SC bears the risk of loss on loans originated pursuant to the agreement, but also that FCA shares in any residual gains and losses from consumer leases. The agreement also requires that SC maintains at least $5.0 billion in funding available for dealer inventory financing and $4.5 billion of financing dedicated to FCA retail financing. In turn, FCA must provide designated minimum threshold percentages of its subvention business to the Company. The Chrysler Agreement is subject to early termination in certain circumstances, including the failure by either party to comply with certain of their ongoing obligations under the Chrysler Agreement. These obligations include the Company's meeting specified escalating penetration rates for the first five years of the agreement. We have not met these penetration rates at December 31, 2016. If the Chrysler Agreement were to terminate, there could be a materially adverse impact to the Company's financial condition and results of operations.

Agreement with Bank of America

Until January 31, 2017, the Company had a flow agreement with Bank of America whereby the Company is committed to sell up to a specified amount of eligible loans to the bank each month. On July 27, 2016, the Company and Bank of America amended the flow agreement to reduce the maximum commitment to sell eligible loans each month to $300,000. On October 27, 2016, Bank of America notified the Company that it was terminating the flow agreement effective January 31, 2017, and accordingly, the flow agreement is terminated. The Company retains servicing on all sold loans and may receive or pay a servicer performance payment based on an agreed-upon formula if performance on the sold loans is better or worse, respectively, than expected performance at time of sale. Servicer performance payments are due six years from the cut-off date of each loan sale.

Agreement with CBP

The Company has sold loans to CBP under terms of a flow agreement and predecessor sale agreements. The Company retains servicing on the sold loans and will owe CBP a loss-sharing payment capped at 0.5% of the original pool balance if losses exceed a specified threshold, established on a pool-by-pool basis. Loss-sharing payments are due the month in which net losses exceed the established threshold of each loan sale. On June 25, 2015, the Company executed an amendment to the servicing agreement with CBP, which increased the servicing fee the Company receives. The Company and CBP also amended the flow agreement which reduced, effective from and after August 1, 2015, CBP's committed purchases of Chrysler Capital prime loans from a maximum of $600,000 and a minimum of $250,000 per quarter to a maximum of $200,000 and a minimum of $50,000 per quarter, as may be adjusted according to the agreement. In January 2016, the Company executed an amendment to the servicing agreement with CBP which decreased the servicing fee the Company receives on loans sold to CBP by the Company under the flow agreement. On February 13, 2017, the Company and CBP entered into a mutual agreement to terminate the flow agreement effective May 1, 2017.

Chrysler Capital leases agreement
In connection with the bulk sales of Chrysler Capital leases to a third party (Note 3), the Company is obligated to make quarterly payments to the purchaser sharing residual losses for lease terminations with losses over a specific percentage threshold.
Legal and regulatory proceedings
Periodically, the Company is party to, or otherwise involved in, various lawsuits, regulatory matters and other legal proceedings that arise in the ordinary course of business. In view of the inherent difficulty of predicting the outcome of any such lawsuit, regulatory matter and legal proceeding, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict the eventual outcome of the pending matters, the timing of the ultimate resolution of the matters, or the eventual loss, fines or penalties related to the matter. Accordingly, except as provided below, the Company is unable to reasonably estimate its potential exposure, if any, to these lawsuits, regulatory matters and other legal proceedings at this time. However, it is reasonably possible that actual outcomes or losses may differ materially from the Company's current assessments and estimates and any adverse resolution of any of these matters against it could have a material adverse effect on the Company's financial position, liquidity, and results of operation.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation, regulatory matters and other legal proceedings when those matters present material loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether the matter presents a material loss contingency that is probable and estimable. If a determination is made during a given quarter that a material loss contingency is probable and estimable, an accrued liability is established during such quarter with respect to such loss contingency. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability previously established.

As of December 31, 2016, the Company has accrued aggregate legal and regulatory liabilities of $39,200.

Set forth below are descriptions of the material lawsuits, regulatory matters and other legal proceedings to which the Company is subject.

On August 26, 2014, a purported securities class action lawsuit was filed in the United States District Court, Southern District of New York, captioned Steck v. Santander Consumer USA Holdings Inc. et al., No. 1:14-cv-06942 (the Deka Lawsuit). On October 6, 2014, another purported securities class action lawsuit was filed in the District Court of Dallas County, State of Texas, captioned Kumar v. Santander Consumer USA Holdings, et al., No. DC-14-11783, which was subsequently removed to the United States District Court, Northern District of Texas, and re-captioned Kumar v. Santander Consumer USA Holdings, et al., No. 3:14-CV-3746 (the Kumar Lawsuit).

Both the Deka Lawsuit and the Kumar Lawsuit were brought against the Company, certain of its current and former directors and executive officers and certain institutions that served as underwriters in the Company's IPO on behalf of a class consisting of those who purchased or otherwise acquired our securities between January 23, 2014 and June 12, 2014. In February 2015, the Kumar Lawsuit was voluntarily dismissed with prejudice. In June 2015, the venue of the Deka Lawsuit was transferred to the United States District Court, Northern District of Texas. In September 2015, the court granted a motion to appoint lead plaintiffs and lead counsel, and the Deka Lawsuit is now captioned Deka Investment GmbH et al. v. Santander Consumer USA Holdings Inc. et al., No. 3:15-cv-2129-K.

The amended class action complaint in the Deka Lawsuit alleges that our Registration Statement and Prospectus and certain subsequent public disclosures contained misleading statements concerning the Company’s ability to pay dividends and the adequacy of the Company’s compliance systems and oversight. The amended complaint asserts claims under Sections 11, 12(a) and 15 of the Securities Act of 1933 and under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and seeks damages and other relief. On December 18, 2015, the Company and the individual defendants moved to dismiss the amended class action complaint, and on June 13, 2016, the motion to dismiss was denied. On December 2, 2016, the plaintiffs moved to certify the proposed classes, and on February 17, 2017, the Company filed an opposition to the plaintiffs' motion to certify the proposed classes.

On October 15, 2015, a shareholder derivative complaint was filed in the Court of Chancery of the State of Delaware, captioned Feldman v. Jason A. Kulas, et al., C.A. No. 11614 (the Feldman Lawsuit). The Feldman Lawsuit names as defendants current and former members of the Company's Board, and names the Company as a nominal defendant. The complaint alleges, among other things, that the current and former director defendants breached their fiduciary duties in connection with overseeing the Company's subprime auto lending practices, resulting in harm to the Company. The complaint seeks unspecified damages and equitable relief. On December 29, 2015, the Feldman Lawsuit was stayed pending the resolution of the Deka Lawsuit.

On March 18, 2016, a purported securities class action lawsuit was filed in the United States District Court, Northern District of Texas, captioned Parmelee v. Santander Consumer USA Holdings Inc. et al., No. 3:16-cv-783 (the Parmelee Lawsuit). On April 4, 2016, another purported securities class action lawsuit was filed in the United States District Court, Northern District of Texas, captioned Benson v. Santander Consumer USA Holdings Inc. et al., No. 3:16-cv-919 (the Benson Lawsuit). Both the Parmelee Lawsuit and the Benson Lawsuit were filed against the Company and certain of its current and former directors and executive officers on behalf of a class consisting of all those who purchased or otherwise acquired our securities between February 3, 2015 and March 15, 2016. On May 25, 2016, the Benson Lawsuit was consolidated into the Parmelee Lawsuit, with the consolidated case captioned as Parmelee v. Santander Consumer USA Holdings Inc. et al., No. 3:16-cv-783. On December 20, 2016, the plaintiffs filed an amended class action complaint.

The amended class action complaint in the Parmelee Lawsuit alleges that the Company made false or misleading statements, as well as failed to disclose material adverse facts, in prior Annual and Quarterly Reports filed under the Exchange Act and certain other public disclosures, in connection with, among other things, the Company's change in its methodology for estimating its allowance for credit losses and correction of such allowance for prior periods in, among other public disclosures, the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, and the Company's amended filings for prior reporting periods. The amended class action complaint asserts claims under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and seeks damages and other relief.

On September 27, 2016, a shareholder derivative complaint was filed in the Court of Chancery of the State of Delaware, captioned Jackie888, Inc. v. Jason Kulas, et al., C.A. # 12775 (the Jackie888 Lawsuit). The Jackie888 Lawsuit names as defendants current and former members of the Company's Board, and names the Company as a nominal defendant. The complaint alleges, among other things, that the defendants breached their fiduciary duties in connection with the Company's accounting practices and controls. The complaint seeks unspecified damages and equitable relief.

The Company is also party to various lawsuits pending in federal and state courts alleging violations of state and federal consumer lending laws, including, without limitation, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, Fair Credit Reporting Act, the Servicemembers Civil Relief Act, Section 5 of the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Truth in Lending Act, wrongful repossession laws, usury laws and laws related to unfair and deceptive acts or practices. In general, these cases seek damages and equitable and/or other relief.

Further, the Company is party to, or is periodically otherwise involved in, reviews, investigations, examinations and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the FRBB, the CFPB, the DOJ, the SEC, the FTC and various state regulatory and enforcement agencies. Currently, such proceedings include, but are not limited to, a civil subpoena from the DOJ, under FIRREA, requesting the production of documents and communications that, among other things, relate to the underwriting and securitization of nonprime auto loans since 2007, and from the SEC requesting the production of documents and communications that, among other things, relate to the underwriting and securitization of nonprime auto loans since

2013.

In October 2014, May 2015, and July 2015 the Company received subpoenas and/or Civil Investigative Demands (CIDs) from the Attorneys General of California, Illinois, Oregon, New Jersey, Maryland and Washington under the authority of each state's consumer protection statutes. The Company has been informed that these states will serve as an executive committee on behalf of a group of 28 state Attorneys General. The subpoenas and/or CIDs from the executive committee states contain broad requests for information and the production of documents related to the Company's underwriting and securitization of nonprime auto loans. The Company believes that several other companies in the auto finance sector have received similar subpoenas and CIDs. The Company is cooperating with the

Attorneys General of the states involved. We believe that it is reasonably possible the Company will suffer a loss related to the Attorneys General, however, any such loss is not currently estimable.

In August and September 2014, the Company also received civil subpoenas and/or CIDs from the Attorneys General of Massachusetts and Delaware under the authority of each state's consumer protection statutes requesting information and the production of documents related to our underwriting and securitizations of nonprime auto loans. The Company is complying with the requests for information and document preservation and continues to discuss these matters, and potential resolution thereof, with the Massachusetts and Delaware Attorneys General.

On February 25, 2015, the Company entered into a consent order with the DOJ, approved by the United States District Court for the Northern District of Texas, that resolves the DOJ's claims against the Company that certain of its repossession and collection activities during the period of time between January 2008 and February 2013 violated the Servicemembers Civil Relief Act (SCRA). The consent order requires the Company to pay a civil fine in the amount of $55, as well as at least $9,360 to affected servicemembers consisting of $10 per servicemember plus compensation for any lost equity (with interest) for each repossession by the Company, and $5 per servicemember for each instance where the Company sought to collect repossession-related fees on accounts where a repossession was conducted by a prior account holder. The consent order also provides for monitoring by the DOJ for the Company's SCRA compliance for a period of five years and requires the Company to undertake certain additional remedial measures.

On January 10, 2017, the Mississippi AG filed a lawsuit against the Company in the Chancery Court of the First Judicial District of Hinds County, State of Mississippi, captioned State of Mississippi ex rel. Jim Hood, Attorney General of the State of Mississippi v. Santander Consumer USA Inc., C.A. # G-2017-28. The complaint alleges that the Company engaged in unfair and deceptive business practices to induce Mississippi consumers to apply for loans that they could not afford. The complaint asserts claims under the Mississippi Consumer Protection Act and seeks unspecified civil penalties, equitable relief and other relief.

On November 4, 2015, the Company entered into an Assurance of Discontinuance (AOD) with the Office of the Attorney General of the Commonwealth of Massachusetts (the Massachusetts AG). The Massachusetts AG alleged that the Company violated the maximum permissible interest rates allowed under Massachusetts law due to the inclusion of GAP charges in the calculation of finance charges. Among other things, the AOD requires the Company, with respect to any loan that exceeded the maximum rates, to issue refunds of all finance charges paid to date and to waive all future finance charges. The AOD also requires the Company to undertake certain remedial measures, including ensuring that interest rates on its loans do not exceed maximum rates (when GAP charges are included) in the future, and provides that the Company pay $150 to the Massachusetts AG to reimburse its costs of implementing the AOD.

On July 31, 2015, the CFPB notified the Company that it had referred to the DOJ certain alleged violations by the Company of the ECOA regarding statistical disparities in markups charged by automobile dealers to protected groups on loans originated by those dealers and purchased by the Company and the treatment of certain types of income in the Company's underwriting process. On September 25, 2015, the DOJ notified the Company that it has initiated, based on the referral from the CFPB, an investigation under the ECOA of the Company's pricing of automobile loans.

Other commitments and contingencies

The Company is obligated to make purchase price holdback payments to a third party originator of auto loans that the Company has purchased, when losses are lower than originally expected. SC also is obligated to make total return settlement payments to this third-party originator in 2017 if returns on the purchased loans are greater than originally expected. These obligations are accounted for as derivatives (Note 8).

The Company has extended revolving lines of credit to certain auto dealers. Under this arrangement, the Company is committed to lend up to each dealer's established credit limit. At December 31, 2016, there was an outstanding balance of $2,529 and a committed amount of $2,920.

Under terms of agreements with LendingClub, the Company was previously committed to purchase, at a minimum, the lesser of $30,000 per month or 50% of the lending platform company's aggregate "near-prime" (as that term is defined in the agreements) originations. This commitment could be reduced or canceled with 90 days' notice. On October 9, 2015, the Company sent a notice of termination to LendingClub, and, accordingly, ceased originations on this platform on January 7, 2016.

The Company committed to purchase certain new advances on personal revolving financings originated by a third party retailer, along with existing balances on accounts with new advances, for an initial term ending in April 2020 and renewing through April 2022 at the retailer's option. Each customer account generated under the agreements generally is approved with a credit limit higher than the amount of the initial purchase, with each subsequent purchase automatically approved as long as it does not cause the account to exceed its limit and the customer is in good standing. As of December 31, 2016 and 2015, the Company was obligated to purchase $12,634 and $12,486, respectively, in receivables that had been originated by the retailer but not yet purchased by the Company. The Company also is required to make a profit-sharing payment to the retailer each month if performance exceeds a specified return threshold. During the year ended December 31, 2015, the Company and the third-party retailer executed an amendment that, among other provisions, increases the profit-sharing percentage retained by the Company, gives the retailer the right to repurchase up to 9.99% of the existing portfolio at any time during the term of the agreement, and, provided that repurchase right is exercised, gives the retailer the right to retain up to 20% of new accounts subsequently originated.

Under terms of an application transfer agreement with another original equipment manufacturer (OEM), the Company has the first opportunity to review for its own portfolio any credit applications turned down by the OEM's captive finance company. The agreement does not require the Company to originate any loans, but for each loan originated the Company will pay the OEM a referral fee, comprised of a volume bonus fee and a loss betterment bonus fee. The loss betterment bonus fee will be calculated annually and is based on the amount by which losses on loans originated under the agreement are lower than an established percentage threshold.

The Company also has agreements with SBNA to service recreational and marine vehicle portfolios. These agreements call for a periodic retroactive adjustment, based on cumulative return performance, of the servicing fee rate to inception of the contract. Adjustments for the years ended December 31, 2016 and 2015 totaled a net upward adjustment of $836 and net downward adjustment of $4,192, respectively.

In connection with the sale of retail installment contracts through securitizations and other sales, the Company has made standard representations and warranties customary to the consumer finance industry. Violations of these representations and warranties may require the Company to repurchase loans previously sold to on- or off-balance sheet Trusts or other third parties. As of December 31, 2016, there were no loans that were the subject of a demand to repurchase or replace for breach of representations and warranties for the Company's asset-backed securities or other sales. In the opinion of management, the potential exposure of other recourse obligations related to the Company’s retail installment contract sales agreements will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or cash flows.

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

The Company provided SBNA with the first right to review and approve consumer vehicle lease applications, subject to volume constraints, under terms of a flow agreement that was terminated on May 9, 2015. The Company has indemnified SBNA for potential credit and residual losses on $48,226 of leases that had been originated by SBNA under this program but were subsequently determined not to meet SBNA’s underwriting requirements. This indemnification agreement is supported by an equal amount of cash collateral posted by the Company in an SBNA bank account. The collateral account balance is included in restricted cash in the Company's consolidated balance sheets. In January 2015, the Company additionally agreed to indemnify SBNA for residual losses, up to a cap, on certain leases originated under the flow agreement between September 24, 2014 and May 9, 2015 for which SBNA and the Company had differing residual value expectations at lease inception.

On March 31, 2015, the Company executed a forward flow asset sale agreement with a third party under terms of which the Company committed to sell charged off loan receivables in bankruptcy status on a quarterly basis until sales total at least $200,000 in proceeds. On June 29, 2015, the Company and the third party executed an amendment to the forward flow asset sale agreement, which increased the committed sales of charged off loan receivables in bankruptcy status to $275,000. On September 30, 2015, the Company and the third party executed a second amendment to the forward flow asset sale agreement, which required sales to occur quarterly. On November 13, 2015, the Company and the third party executed a third amendment to the forward flow asset sale agreement, which increased the committed sales of charged off loan receivables in bankruptcy status to $350,000. However, any sale more than $275,000 is subject to a market price check. As of December 31, 2016 and 2015, the remaining aggregate commitment was $166,167 and $200,707, respectively.

The Company has entered into various operating leases, primarily for office space and computer equipment. Lease expense incurred totaled $11,328, $8,965 and $9,651 for the years ended December 31, 2016, 2015, and 2014, respectively. The remaining obligations under lease commitments at December 31, 2016 are as follows:

2017	$11,992
2018	12,790
2019	12,774
2020	13,035
2021	12,910
Thereafter	56,794
Total	$120,295

Pursuant to the terms of a Separation Agreement among former CEO Thomas G. Dundon, the Company, DDFS LLC, SHUSA and Santander, upon satisfaction of applicable conditions, including receipt of required regulatory approvals, the Company will owe Mr. Dundon a cash payment of up to $115,139 (Note 12).

12. Related-Party Transactions

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

Interest expense, including unused fees, for affiliate lines/letters of credit for the years ended December 31, 2016, 2015, and 2014 was as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Line of credit agreement with Santander - New York Branch (Note 6)	$69,877	$96,753	$92,209
Line of credit agreement with SHUSA (Note 6)	24,050	5,299	4,299
Letter of credit facility with Santander - New York Branch (Note 6)	—	—	507

Accrued interest for affiliate lines/letters of credit at December 31, 2016 and 2015, were comprised as follows:

	December 31, 2016	December 31, 2015
Line of credit agreement with Santander - New York Branch (Note 6)	$ 6,297	$ 6,015
Line of credit agreement with SHUSA (Note 6)	1,737	267
Letter of credit facility with Santander - New York Branch (Note 6)	—	—

In August 2015, under a new agreement with Santander, the Company agreed to begin incurring a fee of 12.5 basis points (per annum) on certain warehouse facilities, as they renew, for which Santander provides a guarantee of the Company's servicing obligations. The Company recognized guarantee fee expense of $6,402 and $2,282 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Company had $1,620 and $2,282 of fees payable to Santander under this arrangement.

The Company has derivative financial instruments with Santander and affiliates with outstanding notional amounts of $7,259,400 and $13,739,000 at December 31, 2016 and 2015, respectively (Note 8). The Company had a collateral overage on derivative liabilities with Santander and affiliates of $15,092 and $20,775 at December 31, 2016 and 2015, respectively. Interest expense on these agreements includes amounts totaling $16,078, $58,019, and $44,366 for the years ended December 31, 2016, 2015, and 2014, respectively.

Until October 1, 2014, the Company had an origination and servicing agreement with SBNA whereby the Company provided SBNA with the first right to review and assess Chrysler Capital dealer lending opportunities and, if SBNA elected, to provide the proposed financing. The Company provided servicing on all loans originated under this arrangement and was eligible to receive a servicer performance payment based on performance of the serviced loans.

51

The Company also provided servicing on dealer loans sold to SBNA that were not subject to the servicer performance payment. Servicing fee income recognized on receivables from dealers sold to SBNA or originated by SBNA totaled $4,289 for the year ended December 31, 2014 and the Company received $4,610 for the year ended December 31, 2014 in servicer performance payments.

Effective October 1, 2014, the origination and servicing agreements were terminated and replaced with revised agreements requiring SC to permit SBNA first right to review and assess Chrysler Capital dealer lending opportunities and requiring SBNA to pay SC a relationship management fee based upon the performance and yields of Chrysler Capital dealer loans held by SBNA. On April 15, 2016, the relationship management fee was replaced with an origination fee and annual renewal fee for each loan. As of December 31, 2016 and 2015, the Company had relationship management fees receivable from SBNA of zero and $419, respectively. The Company recognized $419, $6,976 and $11 of relationship management fee income for the years ended December 31, 2016, 2015 and 2014, respectively. For the year ended December 31, 2016, the Company recognized $3,314 and $610 of origination and renewal fee income, respectively. As of December 31, 2016 and 2015, the Company had origination and renewal fees receivable from SBNA of $552 and zero. These agreements also transferred the servicing of all Chrysler Capital receivables from dealers, including receivables held by SBNA and by SC, from SC to SBNA. Servicing fee expense under this new agreement totaled $110, $253 and $80 for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Company had $21 and $37, respectively, of servicing fees payable to SBNA. The Company may provide advance funding for dealer loans originated by SBNA, which is reimbursed to the Company by SBNA. The Company had no outstanding receivable from SBNA as of December 31, 2016 or 2015 for such advances.

Under the agreement with SBNA, the Company may originate retail consumer loans in connection with sales of vehicles that are collateral held against floorplan loans by SBNA. Upon origination, the Company remits payment to SBNA, who settles the transaction with the dealer. The Company owed SBNA $2,761 and $2,737 related to such originations as of December 31, 2016 and 2015, respectively.

The Company received a $9,000 referral fee in connection with the original arrangement and was amortizing the fee into income over the ten-year term of the agreement. The remaining balance of the referral fee SBNA paid to SC in connection with the original sourcing and servicing agreement is considered a referral fee in connection with the new agreements and will continue to be amortized into income through the July 1, 2022 termination date of the new agreements. As of December 31, 2016 and 2015, the unamortized fee balance was $5,850 and $6,750, respectively. The Company recognized $900, $900, and $900 of income related to the referral fee for the years ended December 31, 2016, 2015, and 2014, respectively.

The Company also has agreements with SBNA to service auto retail installment contracts and recreational and marine vehicle portfolios. Servicing fee income recognized under these agreements totaled $5,154, $2,500, and $9,990 for the years ended December 31, 2016, 2015, and 2014, respectively. Other information on the serviced auto loan and retail installment contract portfolios for SBNA as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Total serviced portfolio	$ 531,117	$ 692,291
Cash collections due to owner	21,427	19,302
Servicing fees receivable	1,123	1,476

Until May 9, 2015, the Company was party to a flow agreement with SBNA whereby SBNA had the first right to review and approve Chrysler Capital consumer vehicle lease applications. The Company could review any applications declined by SBNA for the Company's own portfolio. The Company provides servicing and received an origination fee on all leases originated under this agreement. Pursuant to the Chrysler Agreement, the Company pays FCA on behalf of SBNA for residual gains and losses on the flowed leases. The Company also services leases it sold to SBNA in 2014. Origination fee income recognized under the agreement totaled zero, $8,431 and $24,478 for the years ended December 31, 2016, 2015 and 2014, respectively. Servicing fee income recognized on leases serviced for SBNA totaled $7,707, $6,977 and $3,041 for the years ended December 31, 2016, 2015 and 2014, respectively.

52

Other information on the consumer vehicle lease portfolio serviced for SBNA as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Total serviced portfolio	$ 1,297,317	$ 2,198,519
Cash collections due to owner	78	132
Origination and servicing fees receivable	926	784
Revenue share reimbursement receivable	612	1,370

On June 30, 2014, the Company entered into an indemnification agreement with SBNA whereby SC indemnifies SBNA for any credit or residual losses on a pool of $48,226 in leases originated under the flow agreement. The covered leases are non-conforming units because they did not meet SBNA's credit criteria at origination. At the time of the agreement, SC established a $48,226 collateral account with SBNA in restricted cash that will be released over time to SBNA, in the case of losses, and SC, in the case of payments and sale proceeds. As of December 31, 2016 and 2015, the balance in the collateral account was $11,329 and $34,516, respectively. For the years ended December 31, 2016, 2015, and 2014, the Company recognized indemnification expense of zero, $3,142, and zero, respectively. As of December 31, 2016 and 2015, the Company had a recorded liability of $2,691 and $2,691, respectively, related to the residual losses covered under the agreement.

The Company periodically sells loan and lease contracts to affiliates under certain agreements. Although no such sales occurred during the years ended December 31, 2016 and 2015, the Company sold leases with a depreciated net capitalized cost of $369,114 and a net book value of $317,275 in Chrysler Capital leases to SBNA. This sale was effected through the transfer of a special unit of beneficial interest (SUBI) in SC's titling trust. Proceeds from the sale were $322,851 for a gain of $4,570 for the year ended December 31, 2014. SC retained servicing on the sold leases.

On September 16, 2014, the Company sold $18,227 of receivables from dealers to SBNA, resulting in a gain of $347. The Company was entitled to additional proceeds on this sale totaling $694 if certain conditions, including continued existence and performance of the sold loans, are met at the first and second anniversaries of the sale. At the first and second anniversary dates of the sale, which occurred during the years ended December 31, 2015 and 2016, respectively, the Company received $347 and $347, respectively, in additional proceeds related to the sale due to the satisfaction of conditions specified at the time of the sale.

In December 2015, the Company formed a new wholly-owned subsidiary, Santander Consumer International Puerto Rico, LLC (SCI), and SCI opened deposit accounts with Banco Santander Puerto Rico, an affiliated entity. As of December 31, 2016 and 2015, SCI had cash of $98,836 and $4,920, respectively, on deposit with Banco Santander Puerto Rico.

During 2015, Santander Investment Securities Inc. (SIS), an affiliated entity, purchased a portion of the Class B notes of SDART 2013-3, a consolidated securitization Trust, with a principal balance of $725. As of December 31, 2016 and 2015, the unpaid note balance of the Class B notes owned by SIS was zero and $510, respectively. In addition, SIS purchased an investment of $2,000 in the Class A3 notes of CCART 2013-A, a securitization Trust formed by the Company in 2013. Although CCART 2013-A is not a consolidated entity of the Company, the Company continues to service the assets of the associated trust. SIS also serves as co-manager on certain of the Company's securitizations. Amounts paid to SIS as co-manager for the years ended December 31, 2016, 2015, and 2014 totaled $1,149, $550, and $350, respectively, and are included in debt issuance costs in the accompanying consolidated financial statements.

Produban Servicios Informaticos Generales S.L., a Santander affiliate, is under contract with the Company to provide professional services, telecommunications, and internal and/or external applications. Expenses incurred, which are included as a component of other operating costs in the accompanying consolidated statements of income, totaled $93, $161, and $135 for the years ended December 31, 2016, 2015, and 2014, respectively.

The Company is party to a Master Service Agreement (MSA) with a company in which it has a cost method investment and holds a warrant to increase its ownership if certain vesting conditions are satisfied. The MSA enables SC to review point-of-sale credit applications of retail store customers. Under terms of the MSA, the Company originated personal revolving loans of zero, $23,504, and $17,357 during the years ended December 31, 2016, 2015, and 2014, respectively. During the year ended December 31, 2015, the Company fully impaired its cost method investment in this entity and recorded a loss of $6,000 in investment gains (losses), net in the accompanying

consolidated statement of income and comprehensive income. Effective August 17, 2016, the Company ceased funding new originations from all of the retailers for which it reviews credit applications under this MSA.
On July 2, 2015, the Company announced the departure of Thomas G. Dundon from his roles as Chairman of the Board and CEO of the Company, effective as of the close of business on July 2, 2015. In connection with his departure, and subject to the terms and conditions of his Employment Agreement, including Mr. Dundon's execution of a release of claims against the Company, Mr. Dundon became entitled to receive certain payments and benefits under his Employment Agreement.
Also, in connection with his departure, Mr. Dundon entered into a Separation Agreement with the Company, DDFS LLC, SHUSA and Santander. The Separation Agreement provided, among other things, that Mr. Dundon resign as Chairman of the Board, as CEO of the Company and as an officer and/or director of any of the Company’s subsidiary companies. Mr. Dundon would continue to serve as a Director of the Company's Board, and would serve as a consultant to the Company for twelve months from the date of the Separation Agreement at a mutually agreed rate, subject to required regulatory approvals. Also subject to applicable regulatory approvals and law, Mr. Dundon’s outstanding stock options would remain exercisable until the third anniversary of his resignation, and subject to certain time limitations, Mr. Dundon would be permitted to exercise such options in whole, but not in part, and settle such options for a cash payment equal to the difference between the closing trading price of a share of Company common stock as of the date immediately preceding such exercise and the exercise price of such option. Mr. Dundon exercised this cash settlement option on July 2, 2015. The Separation Agreement also provided for the modification of terms for certain other equity-based awards (Note 16), subject to limitations of banking regulators and applicable law. As of December 31, 2016, the Company has not made any payments to Mr. Dundon arising from or pursuant to the terms of the Separation Agreement. If all applicable conditions are satisfied, including receipt of required regulatory approvals and satisfaction of any conditions thereto, the Company will be obligated to make a cash payment to Mr. Dundon of up to $115,139. This amount would be recorded as compensation expense in the consolidated statement of income and comprehensive income in the period in which approval is obtained.
Also, in connection with, and pursuant to, the Separation Agreement, on July 2, 2015, Mr. Dundon, the Company, DDFS LLC, SHUSA and Santander entered into an amendment to the Shareholders Agreement (the Second Amendment). The Second Amendment amended, for purposes of calculating the price per share to be paid in the event that a put or call option was exercised with respect to the shares of Company Common Stock owned by DDFS LLC in accordance with the terms and conditions of the Shareholders Agreement, the definition of the term “Average Stock Price” to mean $26.83. Pursuant to the Separation Agreement, SHUSA was deemed to have delivered as of July 3, 2015 an irrevocable notice to exercise the call option with respect to all 34,598,506 shares of our Common Stock owned by DDFS LLC and consummate the transactions contemplated by such call option notice, subject to the receipt of required bank regulatory approvals and any other approvals required by law (the “Call Transaction”). Because the Call Transaction was not consummated prior to the Call End Date, DDFS LLC is free to transfer any or all shares of Company Common Stock it owns, subject to the terms and conditions of the Amended and Restated Loan Agreement, dated as of July 16, 2014, between DDFS LLC and Santander (the Loan Agreement). The Loan Agreement provides for a $300,000 revolving loan which as of December 31, 2016 and 2015 had an unpaid principal balance of approximately $290,000 and $290,000, respectively. Pursuant to the Loan Agreement, 29,598,506 shares of the Company’s common stock owned by DDFS LLC are pledged as collateral under a related pledge agreement (the Pledge Agreement). Because the Call Transaction was completed on or before the Call End Date, interest will accrue on the price paid per share in the Call Transaction at the overnight LIBOR rate on the third business day preceding the consummation of the Call Transaction plus 100 basis points with respect to any shares of Company Common Stock ultimately sold in the Call Transaction. The Shareholder Agreement further provides that Santander may, at its option, become the direct beneficiary of the Call Option, and Santander has exercised this option. If consummated in full, DDFS LLC would receive $928,278 plus interest that has accrued since the Call End Date. To date, the Call Transaction has not been consummated.
Pursuant to the Loan Agreement, if at any time the value of the Common Stock pledged under the Pledge Agreement is less than 150% of the aggregate principal amount outstanding under the Loan Agreement, DDFS LLC has an obligation to either (a) repay a portion of such outstanding principal amount such that the value of the pledged

collateral is equal to at least 200% of the outstanding principal amount, or (b) pledge additional shares of Company Common Stock such that the value of the additional shares of Common Stock, together with the 29,598,506 shares already pledged under the Pledge Agreement, is equal to at least 200% of the outstanding principal amount. The value of the pledged collateral is less than 150% of aggregate principal amount outstanding under the Loan Agreement, and DDFS LLC has not taken any of the collateral posting actions described in clauses (a) or (b) above. If Santander declares the borrower's obligations under the Loan Agreement due and payable as a result of an event of default (including with respect to the collateral posting obligations described above), under the terms of the Loan Agreement and the Pledge Agreement, Santander's ability to rely upon the shares of SC Common Stock subject to the Pledge Agreement is, subject to certain exceptions, limited to the exercise by SHUSA and/or Santander of the right to deliver the call option notice and to consummate the Call Transaction at the price specified in the Shareholders Agreement. If the borrower fails to pay obligations under the Loan Agreement when due, including because of Santander's declaration of such obligations as due and payable as a result of an event of default, a higher default interest rate will apply to such overdue amounts.

In connection with, and pursuant to, the Separation Agreement, on July 2, 2015, DDFS LLC and Santander entered into an amendment to the Loan Agreement and an amendment to the Pledge Agreement that provide, among other things, that outstanding balance under the Loan Agreement shall become due and payable upon the consummation of the Call Transaction and that the amount otherwise payable to DDFS LLC under the Call Transaction shall be reduced by the amount outstanding under the Loan Agreement, including principal, interest and fees, and further that any net cash proceeds received by DDFS LLC on account of sales of Company Common Stock after the Call End Date shall be applied to the outstanding balance under the Loan Agreement.

On August 31, 2016, Mr. Dundon, DDFS LLC, the Company, Santander and SHUSA entered into a Second Amendment to the Separation Agreement, and Mr. Dundon, DDFS LLC, Santander and SHUSA entered into a Third Amendment to the Shareholders Agreement, whereby the price per share to be paid to DDFS LLC in connection with the Call Transaction was reduced from $26.83 to $26.17, the arithmetic mean of the daily volume-weighted average price for a share of Company common stock for each of the ten consecutive complete trading days immediately prior to July 2, 2015, the date on which the call option was exercised.

During the years ended December 31, 2015 and 2014, the Company paid certain expenses incurred by Mr. Dundon in the operation of a private plane in which he owns a partial interest when used for SC business within the contiguous 48 states. Under this practice, payment was based on a set flight time hourly rate, and the amount of reimbursement was not subject to a maximum cap per fiscal year. For the years ended December 31, 2015 and 2014, the Company paid $404 and $577, respectively, to Meregrass, Inc., the company managing the plane's operations, with an average rate of $5.8 per hour.

Under an agreement with Mr. Dundon, the Company is provided access to a suite at an event center that is leased by Mr. Dundon, and which the Company uses for business purposes. The Company reimburses Mr. Dundon for the use of this space on a periodic basis. During the years ended December 31, 2016 and 2015, the Company reimbursed Mr. Dundon $200 and $200, respectively, for the use of this space.

As of December 31, 2016, Jason Kulas, a director of the Company and the Company's current CEO, Mr. Dundon, and a Santander employee who was a member of the SC Board until the second quarter of 2015, each had a minority equity investment in a property in which the Company leases approximately 373,000 square feet as its corporate headquarters. During the years ended December 31, 2016, 2015, and 2014, the Company recorded $4,945, $4,612 and $5,450, respectively, in lease expenses on this property. Future minimum lease payments over the remainder of the 12-year term of the lease, which extends through 2026, total $69,023. The Company subleases approximately 13,000 square feet of its corporate office space to SBNA. For the years ended December 31, 2016, 2015, and 2014, the Company recorded $161, $204 and $54, respectively, in sublease revenue on this property.

The Company is party to certain agreements with Bluestem whereby the Company is committed to purchase receivables originated by Bluestem for an initial term ending in April 2020 and renewable through April 2022 at Bluestem's option. Bluestem is owned by Capmark, a company in which affiliates of Centerbridge own an interest. Centerbridge decreased its ownership in SC from approximately 1% as of January 1, 2015, to zero as of September 30, 2015. Further, an individual that was a member of SC's Board until July 15, 2015, is a member of Centerbridge management and also serves on the board of directors of Capmark. During the year ended December 31, 2015, but only through the date these individuals last were considered related parties (July 15, 2015), the Company advanced $442,339, respectively, to the retailer, and received $575,179, respectively, in payments on receivables originated under its agreements with the retailer.

During 2016, the Company agreed to pay SBNA a market rate-based fee expense for payments made at SBNA retail branch locations for SC originated/serviced accounts and the costs associated with modifying the Advanced Teller

platform to the payments. These transactions in aggregate were $473 for the year ended December 31, 2016.
At December 31, 2014, the Company had tax indemnification payments receivable of $5,504 representing reimbursement of tax indemnification payments made to the original equity investors in two investment partnerships now owned by the Company. One of the equity investors, Centerbridge, also was an investor in SC until February

2015, and both investors had representation on SC's board until July 15, 2015. These payments are expected to be recovered through tax refunds passed through to the Company as the original investors recognize tax losses related to the investments. The Company also paid expenses totaling zero, zero, and $37 for the years ended December 31, 2016, 2015, and 2014, respectively, on behalf of the former managing member of the investment partnerships. The former managing member was an investor in Auto Finance Holdings.

13. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Cash paid (received) during the year for:			
Interest	$796,682	$635,558	$541,705
Income taxes	(180,323)	(190,663)	278,210
Noncash investing and financing transactions:			
Transfer of revolving credit facilities to secured structured financings	146,864	193,180	—
Transfer of personal loans to held for sale	—	1,883,251	—

During the year ended December 31, 2015, the Company deconsolidated certain Trusts from the consolidated balance sheet following the sale of its retained interests in the respective Trusts (Note 6). Upon deconsolidation, the Company derecognized $1,919,171 in assets, including $170,144 in restricted cash, and $1,183,792 in notes payable and other liabilities of the Trusts.

14. Computation of Basic and Diluted Earnings per Common Share

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

The calculation of earnings per share excludes 1,387,656, 926,242, and 1,406,204 employee stock options and 1,106,187, zero, and zero RSUs for the years ended December 31, 2016, 2015, and 2014, respectively, as the effect of those securities would be anti-dilutive. The following table represents EPS numbers for the years ended December 31, 2016, 2015 and 2014:

	For the Year Ended December 31,		
	2016	2015	2014
Earnings per common share			
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$766,466	$824,040	$725,284
Weighted average number of common shares outstanding before restricted participating shares (in thousands)	358,032	354,636	348,139
Weighted average number of participating restricted common shares outstanding (in thousands)	249	467	584
Weighted average number of common shares outstanding (in thousands)	358,281	355,103	348,723
Earnings per common share	$2.14	$2.32	$2.08
Earnings per common share - assuming dilution			
Net income attributable to Santander Consumer USA Holdings Inc. shareholders	$766,466	$824,040	$725,284
Weighted average number of common shares outstanding (in thousands)	358,281	355,103	348,723
Effect of employee stock-based awards (in thousands)	797	1,060	6,999
	359,078	356,163	355,722

Weighted average number of common shares outstanding - assuming dilution (in thousands)			
Earnings per common share - assuming dilution	$2.13	$2.31	$2.04

56

15. Fair Value of Financial Instruments

Fair value measurement requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that can be accessed as of the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are those that are unobservable for the asset or liability and are used to measure fair value to the extent relevant observable inputs are not available.

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

		December 31, 2016		December 31, 2015	
	Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents (a)	1	$160,180	$ 160,180	$18,893	$ 18,893
Finance receivables held for sale, net (b)	3	2,123,415	2,123,415	2,859,575	2,872,354
Finance receivables held for investment, net (c)	3	23,481,001	24,655,094	23,367,788	24,943,560
Restricted cash (a)	1	2,757,299	2,757,299	2,236,329	2,236,329
Notes payable — credit facilities (d)	3	6,739,817	6,739,817	6,902,779	6,902,779
Notes payable — secured structured financings (e)	2, 3	21,608,889	21,712,691	20,872,900	20,917,733
Notes payable — related party (f)	3	2,975,000	2,975,000	2,600,000	2,600,000

(a) Cash and cash equivalents and restricted cash — The carrying amount of cash and cash equivalents, including restricted cash, is at an approximated fair value as the instruments mature within 90 days or less and bear interest at market rates.

(b) Finance receivables held for sale, net — Finance receivables held for sale, net are comprised of retail installment contracts acquired individually and personal loans and are carried at the lower of cost or market, as determined on an aggregate basis for each type of receivable.

- Retail installment contracts acquired individually — The estimated fair value is calculated based on a discounted cash flow (DCF) analysis in which the Company uses significant unobservable inputs on key assumptions, including expected default rates, prepayment rates, recovery rates, and discount rates reflective of the cost of funds and appropriate rate of returns.
- Personal loans — The estimated fair value for personal loans held for sale is calculated based on a combination of estimated cash flows and market rates for similar loans with similar credit risks and a DCF analysis in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates, discount rates reflective of the cost of funding, and credit loss expectations.

(c) Finance receivables held for investment, net — Finance receivables held for investment, net are carried at amortized cost, net of an allowance. The estimated fair value for the underlying financial instruments are determined as follows:

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Retail installment contracts held for investment, net — The estimated fair value is calculated based on a DCF in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates, expected recovery rates, discount rates reflective of the cost of funding, and credit loss expectations.

- Receivables from dealers held for investment and Capital lease receivables, net — Receivables from dealers held for investment and capital lease receivables are carried at amortized cost, net of credit loss allowance and gross investments, net of unearned income and allowance for lease losses, respectively. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements.

(d) Notes payable — credit facilities — The carrying amount of notes payable related to revolving credit facilities is estimated to approximate fair value. Management believes that the terms of these credit agreements approximate market terms for similar credit agreements as the facilities are subject to short-term floating interest rates that approximate rates available to the Company.

(e) Notes payable — secured structured financings — The estimated fair value of notes payable related to public securitizations is calculated based on market observable prices and spreads for the Company’s publicly traded debt and market observed prices of similar notes issued by the Company, or recent market transactions involving similar debt with similar credit risks, which are considered level 2 inputs. The estimated fair value of notes payable related to privately issued amortizing notes is calculated based on a combination of discounted cash flow analysis and market observable spreads for similar liabilities in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates, discount rates reflective of the cost of funding, and credit loss expectations, which are considered level 3 inputs.

(f) Notes payable — related party — The carrying amount of notes payable to a related party is estimated to approximate fair value as the facilities are subject to short-term floating interest rates that approximate rates available to the Company.

The following table presents the Company’s assets and liabilities that are measured at fair value on a recurring basis at December 31, 2016 and 2015, and are categorized using the fair value hierarchy:

	Fair Value Measurements at December 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets — trading interest rate caps (a)	$68,676	$ —	$ 68,676	$ —
Due from affiliates — trading interest rate caps (a)	7,593	—	7,593	—
Other assets — cash flow hedging interest rate swaps (a)	41,471	—	41,471	—
Due from affiliates — cash flow hedging interest rate swaps (a)	4,080	—	4,080	—
Other assets — trading interest rate swaps (a)	783	—	783	—
Due from affiliates — trading interest rate swaps (a)	1,292	—	1,292	—
Other liabilities — trading options for interest rate caps (a)	68,688	—	68,688	—
Due to affiliates — trading options for interest rate caps (a)	7,593	—	7,593	—
Other liabilities — cash flow hedging interest rate swaps (a)	482	—	482	—
Due to affiliates — cash flow hedging interest rate swaps (a)	451	—	451	—
Other liabilities — trading interest rate swaps (a)	42	—	42	—
Due to affiliates — trading interest rate swaps (a)	95	—	95	—
Other liabilities — total return settlement (a)	30,618	—	—	30,618
Retail installment contracts acquired individually (b)	24,495	—	—	24,495

	Fair Value Measurements at December 31, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets — trading interest rate caps (a)	$20,227	$ —	$ 20,227	$ —
Due from affiliates — trading interest rate caps (a)	12,724	—	12,724	—
Other assets — cash flow hedging interest rate swaps (a)	3,863	—	3,863	—
Due from affiliates — cash flow hedging interest rate swaps (a)	3,431	—	3,431	—
Due from affiliates — trading interest rate swaps (a)	1,176	—	1,176	—
Other liabilities — trading options for interest rate caps (a)	20,253	—	20,253	—
Due to affiliates — trading options for interest rate caps (a)	12,724	—	12,724	—
Other liabilities — cash flow hedging interest rate swaps (a)	3,093	—	3,093	—
Due to affiliates — cash flow hedging interest rate swaps (a)	2,496	—	2,496	—
Due to affiliates — trading interest rate swaps (a)	2,481	—	2,481	—
Other liabilities — total return settlement (a)	53,432	—	—	53,432
Retail installment contracts acquired individually (b)	6,770	—	—	6,770

(a) The valuation is determined using widely accepted valuation techniques including a DCF on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurement of its derivatives. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings and guarantees. The Company utilizes the exception in ASC 820-10-35-18D (commonly referred to as the "portfolio exception") with respect to measuring counterparty credit risk for instruments (Note 8).

(b) For certain retail installment contracts reported in finance receivables held for investment, net, the Company has elected the fair value option. The fair values of the retail installment contracts are estimated using a DCF model. When estimating the fair value using this model, the Company uses significant unobservable inputs on key assumptions, which includes historical default rates and adjustments to reflect prepayment rates based on available data from a comparable market securitization of similar assets, discount rates reflective of the cost of funding of debt issuance and recent historical equity yields, and recovery rates based on the average severity utilizing reported severity rates and loss severity utilizing available market data from a comparable securitized pool. Accordingly, retail installment contracts held for investment are classified as Level 3.

The following table presents the changes in retail installment contracts held for investment balances classified as Level 3 for the years ended December 31, 2016 and 2015:

	Year Ended	
	December 31, 2016	December 31, 2015
Fair value, beginning of year	$6,770	$ —
Net collection activities	(18,850)	—
Loans sold	(48)	—

Additions	36,623	6,770
Fair value, end of year	$24,495	$ 6,770

The following table presents the changes in the total return settlement balance, which is classified as Level 3, for the years ended December 31, 2016, 2015, and 2014:

	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Fair value, beginning of year	$53,432	$48,893	$50,385
Losses recognized in earnings	4,365	10,973	7,856
Settlements	(27,179)	(6,434)	(9,348)
Fair value, end of year	$30,618	$53,432	$48,893

59

The following table presents the Company’s assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2016 and 2015, and are categorized using the fair value hierarchy:

	Fair Value Measurements at December 31, 2016				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Lower of cost or fair value expense (c)
Other assets — vehicles (a)	$257,382	$ —	$ 257,382	$ —	$—
Personal loans held for sale (b)	$1,077,600	$ —	$ —	$ 1,077,600	$414,703
Retail installment contracts held for sale	$1,045,815	$ —	$ —	$ 1,045,815	$8,913

	Fair Value Measurements at December 31, 2015				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Lower of cost or fair value expense (c)
Other assets — vehicles (a)	$203,906	$ —	$ 203,906	$ —	$—
Personal loans held for sale (b)	$1,954,414	$ —	$ —	$ 1,954,414	$613,994

(a) The Company estimates the fair value of its vehicles, which are obtained either through repossession or lease termination, using historical auction rates and current market levels of used car prices.
(b) Represents the portion of the portfolio specifically impaired as of period-end. The estimated fair value for personal loans held for sale is calculated based on a combination of estimated market rates for similar loans with similar credit risks and a DCF analysis in which the Company uses significant unobservable inputs on key assumptions, including historical default rates and adjustments to reflect prepayment rates, discount rates reflective of the cost of funding, and credit loss expectations.
(c) The lower of cost or fair value expense for personal loans held for sale includes customer default activity and adjustments related to the net change in the portfolio balance during the reporting period.

16. Employee Benefit Plans

SC Compensation Plans — Beginning in 2011, the Company granted stock options to certain executives, other employees, and independent directors under the 2011 Management Equity Plan (the MEP). The MEP is administered by the Board. It enabled the Company to make stock awards up to a total of approximately 29 million common shares. The MEP expired on January 31, 2015 and, accordingly, no further awards will be made under this plan. In December 2013, the Board established the Omnibus Incentive Plan (the Omnibus Plan), which was amended and restated as of June 2016. The Omnibus Plan enables the Company to grant awards of non-qualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units (RSUs), and other awards that may be settled in or based upon the value of the Company's common stock up to a total of 5,192,640 common shares.

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

On December 28, 2013, the Board approved certain changes to the MEP and the Management Shareholders Agreement, including acceleration of vesting for certain employees, removal of transfer restrictions for shares underlying a portion of the options outstanding under the Plan, and addition of transfer restrictions for shares

underlying another portion of the outstanding options. All of the changes were contingent on, and effective upon, the Company's execution of an IPO and, as such, became effective upon pricing of the IPO on January 22, 2014. Also, on December 28, 2013, the Company granted 583,890 shares of restricted stock to certain executives under terms of the Omnibus Plan. Compensation expense related to this restricted stock is recognized over a five-year vesting period, with $725, $8,851, and $2,471 recorded for the years ended December 31, 2016, 2015, and 2014, respectively.
On January 23, 2014, the Company executed an IPO, in which selling stockholders offered and sold to the public 85,242,042 shares of common stock at a price of $24.00 per share. Stock-based compensation expense totaling $117,770 related to vested options was recognized upon the IPO, including expense related to accelerated vesting for certain executives of $33,845. Also, in connection with the IPO, the Company granted additional stock options under the MEP to certain executives, other employees, and an independent director with an estimated compensation cost of $10,216, which is being recognized over the awards' vesting period of five years for the employees and three years for the director. Additional stock option grants have been made to employees under the Omnibus Plan during the year ended December 31, 2016 to employees. The estimated compensation cost associated with these additional grants is $727 and will be recognized over the vesting periods of the awards.
A summary of the Company's stock options and related activity as of and for the year ended December 31, 2016 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2016	5,675,327	$ 12.30	6.5	$ 20,151
Granted	456,662	10.84		
Exercised	(868,332)	9.49		3,028
Expired	(560,523)	11.32		
Forfeited	(407,304)	13.76		
Options outstanding at December 31, 2016	4,295,830	$ 12.70	5.6	$ 12,982
Options exercisable at December 31, 2016	3,144,763	$ 10.90	5.3	$ 11,348
Options expected to vest at December 31, 2016	995,104	$ 17.97	6.7	

In connection with compensation restrictions imposed on certain executive officers and other employees by the European Central Bank under the Capital Requirements Directive IV (CRD IV) prudential rules, which require a portion of such officers' and employees' variable compensation to be paid in the form of equity, the Company granted RSUs in February and April 2015. Pursuant to the applicable award agreements under the Omnibus Plan, a portion of the RSUs vested immediately upon grant, and a portion will vest annually over the first three anniversaries of the grant date. In June 2015, as part of a separate grant under the Omnibus Incentive Plan, the Company granted certain officers RSUs that vest over a three-year period, with vesting dependent on Santander performance over that time. After vesting, stock obtained by employees and officers through RSUs must be held for one year. In October 2015, the Company granted, under the Omnibus Plan, certain directors RSUs that vest upon the earlier of the first anniversary of the grant date or the first annual meeting following the grant date. In December 2015, the Company granted a new officer RSUs that will vest in equal portions on each of the first three anniversaries of the grant date.
In February, June and November 2016, the Company granted certain new employees RSUs that will vest annually over a three-year period. In March, April and November 2016, RSUs that vest annually over a three-year period were granted to certain officers and employees as retention awards. The RSUs granted as retention awards to officers and employees whose variable compensation is subject to the provisions of CRD IV must be held for one year after vesting. In accordance with the provisions of CRD IV, in April 2016, the Company granted RSUs to certain officers and employees, a portion of which vested immediately upon grant and a portion that vest annually over a three-year period, and all of which must be held for one year after vesting. In November 2016, the Company granted certain officers RSUs that vest over a three-year period, with vesting dependent on Santander performance over that time and which must be held for one year after vesting. In November and December 2016, the Company granted certain

directors RSUs that vest upon the earlier of the first anniversary of the grant date or the first annual meeting following the grant date. All RSU grants during the year ended December 31, 2016 were made under the Omnibus Plan.
On July 2, 2015, Mr. Dundon exercised a right under his Separation Agreement to settle his vested options for a cash payment. Subject to limitations of banking regulators and applicable law, Mr. Dundon’s Separation Agreement also

provided that his unvested stock options would vest in full and his unvested restricted stock awards would continue to vest in accordance with their terms as if he remained employed by the Company. In addition, any service-based vesting requirements that were applicable to Mr. Dundon’s outstanding RSUs in respect of his 2014 annual bonus were waived, and such RSUs continue to vest and be settled in accordance with the underlying award agreement. However, because the Separation Agreement did not receive the required regulatory approvals within 60 days of Mr. Dundon’s termination without cause, both the vested and unvested stock options are considered to have expired.

A summary of the status and changes of the Company's nonvested stock options as of and for the year ended December 31, 2016, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2016	2,902,766	$ 6.68
Granted	456,662	10.18
Vested	(1,240,534)	7.88
Forfeited or expired	(967,827)	6.48
Non-vested at December 31, 2016	1,151,067	$ 7.02

At December 31, 2016, total unrecognized compensation expense for restricted stock awards and RSUs granted was $4,114, which is expected to be recognized over a weighted average period of 2.6 years.

The following summarizes the assumptions used for estimating the fair value of stock options granted to employees for the years ended December 31, 2016, 2015, and 2014.

	For the Year Ended December 31,		
	2016	2015	2014
Assumption			
Risk-free interest rate	1.79%	1.64% - 1.97%	1.94% - 2.12%
Expected life (in years)	6.5	6.0 - 6.5	6.0 - 6.5
Expected volatility	33%	32% - 48%	49% - 51%
Dividend yield	3.69%	1.6% - 2.7%	2.3% - 4.2%
Weighted average grant date fair value	$3.14	$6.92 - $9.67	$7.54 - $8.38

Defined Contribution Plan— The Company sponsors a defined contribution plan offered to qualifying employees. Employees participating in the plan may contribute up to 75% of their base salary, subject to federal limitations on absolute amounts contributed. The Company will match up to 6% of their base salary, with matching contributions of 100% of employee contributions. The total amount contributed by the Company in 2016, 2015, and 2014, was $11,805, $9,498, and $7,923, respectively.

17. Shareholders' Equity

Treasury Stock

The Company had 94,595 and 69,005 shares of treasury stock outstanding with a cost of $1,600 and $1,250 as of December 31, 2016 and 2015, respectively. Prior to the IPO, the Company repurchased 3,154 shares as a result of an employee leaving the company. Additionally, 91,441 shares were withheld to cover income taxes related to stock issued in connection with employee incentive compensation plans, including 25,590 and 16,864 shares withheld during the years ended December 31, 2016 and 2015, respectively. The value of the treasury stock is immaterial and included within additional paid-in-capital.

Accumulated Other Comprehensive Income (Loss)

A summary of changes in accumulated other comprehensive income (loss), net of tax, for the years ended December 31, 2016, 2015, and 2014 is as follows:

	Unrealized gains (losses) on cash flow hedges
Balance - January 1, 2014	$ (2,853)
Other comprehensive income (loss) before reclassifications	(14,636)
Amounts reclassified out of accumulated other comprehensive income (loss)	21,042
Balance - December 31, 2014	3,553
Other comprehensive income (loss) before reclassifications	(34,182)
Amounts reclassified out of accumulated other comprehensive income (loss)	32,754
Balance - December 31, 2015	2,125
Other comprehensive income (loss) before reclassifications	(1,324)
Amounts reclassified out of accumulated other comprehensive income (loss)	27,458
Balance - December 31, 2016	$ 28,259

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

	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
Reclassification	Amount reclassified	Income statement line item	Amount reclassified	Income statement line item	Amount reclassified	Income statement line item
Cash flow hedges:						
Settlements of derivatives	$43,898	Interest Expense	$50,860	Interest Expense	$33,235	Interest Expense
Tax expense (benefit)	(16,440)		(18,106)		(12,193)	
Net of tax	$27,458		$32,754		$21,042	

Dividend Restrictions

The Dodd-Frank Act requires certain banks and bank holding companies, including SHUSA, to perform stress testing and submit a capital plan to the Federal Reserve Board on an annual basis. On June 29, 2016, the FRBB informed SHUSA that, based on qualitative concerns, the FRBB objected to SHUSA’s capital plan pursuant to CCAR that SHUSA had previously submitted to the FRBB. This objection followed the FRBB's objections to the capital plans submitted in 2014 and 2015. On September 15, 2014, SHUSA also entered into a written agreement with the FRBB memorializing discussions under which, among other things, SHUSA is prohibited from allowing its non-wholly-owned nonbank subsidiaries, including the Company, to declare or pay any dividend, or to make any capital distribution, until such time as SHUSA has submitted to the FRBB a capital plan and the FRBB has issued a written non-objection to the plan, or the FRBB otherwise issues its written non-objection to the proposed capital action. The Company will not pay any future dividends until such time as the FRBB issues a written non-objection to a capital plan submitted by SHUSA or the FRBB otherwise issues its written non-objection to the payment of a dividend by the Company.

18. Investment Gains (Losses), Net

When the Company sells retail installment contracts acquired individually, personal loans or leases to unrelated third parties or to VIEs and determines that such sale meets the applicable criteria for sale accounting, the Company recognizes a gain or loss for the difference between the cash proceeds and carrying value of the assets sold. The gain or loss is recorded in investment gains (losses), net. Lower of cost or market adjustments on the recorded investment of finance receivables held for sale are also recorded in investment gains (losses), net.

Investment gains (losses), net was comprised of the following for the years ended December 31, 2016, 2015, and 2014:

	For the Year Ended December 31,		
	2016	2015	2014
Gain (loss) on sale of loans and leases	$(11,549)	$155,408	$113,147
Lower of cost or market adjustments	(423,616)	(236,396)	—
Other losses and impairments	(9,594)	(14,226)	—
	$(444,759)	$(95,214)	$113,147

Lower of cost or market adjustments for the year ended December 31, 2016 included $429,106 in customer default activity and net favorable adjustments of $14,403 related to net changes in the unpaid principal balance on the personal lending portfolio, most of which has been classified as held for sale since September 30, 2015. Additionally, the Company had net unfavorable lower of cost or market adjustments on individually acquired retail installment contracts of $8,913 during the year ended December 31, 2016.

19. Correction of Errors

On October 27, 2016, the Company filed an amended Annual Report on Form 10-K/A for the year ended December 31, 2015 in which the Company restated its audited financial statements for the year ended December 31, 2015 to correct certain errors which are reflected herein, the most significant of which were as follows:

- The methodology for estimating the credit loss allowance for individually acquired retail installment contracts held for investment and the identification of the population of loans that should be classified and disclosed as TDRs.
- The effective rate used to discount expected cash flows to determine TDR impairment.
- The classification of subvention payments within the income statement related to leased vehicles.
- The application of the retrospective effective interest method for accreting discounts, subvention payments from manufacturers, and other origination costs (collectively "discount") on individually acquired retail installment contracts held for investment.
- The consideration of net unaccreted discounts when estimating the allowance for credit losses for the non-TDR portfolio of individually acquired retail installment loans held for investment.
- The recognition of and disclosure of severance and stock compensation expenses, a deferred tax asset, and a liability for certain benefits payable to the former CEO.

20. Quarterly Financial Data (unaudited)

The following is a summary of quarterly financial results:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2016				
Total finance and other interest income	$1,619,899	$1,643,989	$1,638,525	$1,627,183
Net finance and other interest income	1,213,804	1,202,255	1,178,620	1,131,974
Provision for credit losses	660,170	511,921	610,398	685,711
Income before income taxes	328,942	437,563	304,020	90,186
Net income	208,299	283,345	213,547	61,275
Net income per common share (basic)	$0.58	$0.79	$0.60	$0.17
Net income per common share (diluted)	$0.58	$0.79	$0.59	$0.17
Allowance for credit losses	$3,337,490	$3,436,325	$3,412,977	$3,421,767
Finance receivables held for investment, net	23,961,903	23,477,426	23,686,391	23,481,001
Total assets	37,768,959	38,490,611	38,771,636	38,539,104
Total equity	4,604,739	4,876,712	5,117,657	5,238,619
Year Ended December 31, 2015				
Total finance and other interest income	$1,431,978	$1,534,246	$1,561,630	$1,559,930
Net finance and other interest income	1,108,269	1,214,857	1,215,665	1,193,782
Provision for credit losses	631,847	579,379	723,922	850,723
Income (loss) before income taxes	365,268	573,169	372,974	(21,799)
Net income (loss)	242,445	364,715	236,435	(19,555)
Net income (loss) per common share (basic)	$0.69	$1.03	$0.66	$(0.05)
Net income (loss) per common share (diluted)	$0.68	$1.02	$0.66	$(0.05)
Allowance for credit losses	$3,117,716	$3,328,897	$2,996,924	$3,218,208
Finance receivables held for investment, net	24,547,674	24,800,991	23,478,376	23,367,788
Total assets	34,581,338	36,079,510	36,035,625	36,448,958
Total equity	3,771,543	4,245,763	4,451,984	4,432,549

65

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. The following Consolidated Financial Statements as set forth in Part II, Item 8 of this report are filed herein:

Consolidated Financial Statements

Consolidated Balance Sheets
Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Equity
Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

2. All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are omitted because the required information is either not applicable, not required or is shown in the respective financial statements or in the notes thereto.

3. See the Exhibit Index immediately following the signatures page of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Santander Consumer USA Holdings Inc.
(Registrant)

By: /s/ Jason A. Kulas
Name: Jason A. Kulas
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Jason A. Kulas Jason A. Kulas	Chief Executive Officer & Director (Principal Executive Officer)	March 2, 2017
/s/ Ismail Dawood Ismail Dawood	Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2017
/s/ William Rainer William Rainer	Chairman of the Board	March 2, 2017
/s/ José Doncel José Doncel	Director	March 2, 2017
/s/ Stephen A. Ferriss Stephen A. Ferriss	Director	March 2, 2017
/s/ Brian Gunn Brian Gunn	Director	March 2, 2017
/s/ Victor Hill Victor Hill	Director	March 2, 2017
/s/ Edith E. Holiday Edith E. Holiday	Director	March 2, 2017
/s/ Mark P. Hurley Mark P. Hurley	Director	March 2, 2017
/s/ Javier Maldonado Javier Maldonado	Director	March 2, 2017
/s/ Robert J. McCarthy Robert J. McCarthy	Director	March 2, 2017
/s/ William F. Muir William F. Muir	Director	March 2, 2017
/s/ Scott Powell Scott Powell	Director	March 2, 2017
/s/ Wolfgang Schoellkopf Wolfgang Schoellkopf	Director	March 2, 2017

Exhibit Number	Description
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Deloitte & Touche LLP
31.1*	Chief Executive Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Furnished herewith.