



# 2023 ABS Social Bond Annual Report



# About Tricolor

Tricolor has created a mission-driven, technology-driven platform which operates a vertically integrated retail auto and consumer lending model to provide a compelling mobility solution to the vast credit invisible Hispanic population in the US.

Headquartered in Dallas, Texas, the Company has leveraged an unrivaled data-driven understanding of its consumer to unlock the power of artificial intelligence and create a superior value proposition, a scalable, profitable, and resilient model, and a wide competitive moat.

## By the Numbers

**15**

Years  
in business

## Sustained Impact

**10**

Years  
capital markets access

**\$2B+**

Loans  
originated

## Customer Feedback

**4.5**

★★★★★

Customer Reviews

**73**

Net Promoter  
Score

**1<sup>st</sup>**

ABS auto issuer  
to be certified  
by US Treasury  
as a CDFI

to issue a rated  
social bond in  
all of consumer  
auto ABS

to issue an  
investment grade  
bond with loans  
originated to no-  
FICO borrowers

# Tricolor's Unique Value Proposition

*Tricolor delivers an unrivaled value proposition*



## Unprecedented vehicle quality

- Rigorously reconditioned vehicle following 150 point inspection
- Free warranty on all major components
- Proprietary financing platform provides affordable access to credit
- Transformative customer experience through power of self selection and full pricing transparency.



## Unrivaled customer satisfaction

- 4.5/5.0 Customer Ratings
- Net Promoter Score (NPS) of 73



## Path to mainstream financial services

- 75% of all borrowers are credit invisible
- 60% of all credit invisible borrowers successfully establish a credit score
- Tricolor borrowers have saved over \$1B in interest over lifetime of company

# Tricolor as a Leader In Financial Inclusion

## *Doing Well by Doing Good*



- In November 2019, Tricolor was awarded certification by the Department of the Treasury as a Community Development Financial Institution (CDFI) recognizing its commitment to financial inclusion.
- Tricolor is the only issuer in all of consumer auto ABS to be CDFI-certified.

### **2023**

Winner, Excellence in Financial Inclusion, Fintech Nexus  
Winner, Excellence in Financial Inclusion, Finovate

### **2022**

Winner, Best In Business, Financial Services, Inc. Magazine  
Winner, Excellence in Financial Inclusion, Fintech Nexus  
Winner, Excellence in Service, Auto Finance News  
Finalist, 2022 Excellence in Financial Inclusion, Finovate  
Finalist, 2022 Best Consumer Solution, Finovate

### **2019**

Winner, 2019 Excellence in Technology, Auto Finance News



# Tricolor's ABS Social Bond Framework

## Eligibility Criteria

Loans providing access to essential services for the purchase and financing of motor vehicles to the target population consists of consumers with 100% of the loans originated to: (i) no FICO or (ii) low income\*.

*\* low income defined as: customer income is less than or equal to 80% of the median county income or less than or equal to 200% of the federal poverty threshold as defined by the Community Reinvestment Act (CRA), the Federal Housing Finance Agency (FHFA), which includes Freddie Mac, and the United States Department of Health and Human Services (HHS)*

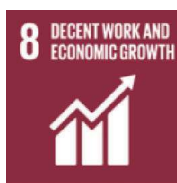
## Aligns with ICMA Principles and UN Goals

Tricolor is committed to advancing the **Sustainable Development Goals (SDG)** as established by all United Nations member states in 2015 and specific to the Use of Proceeds for Tricolor's ABS Social Bond:



### 1.4. No Poverty

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources.



### 8.10. Decent Work and Economic Growth

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



### 10.2. Reduced Inequalities

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

# Tricolor's ABS Social Bond Framework

## Overview

Tricolor Auto Securitization Trust issued \$212MM Social Bond in 2022, first by a U.S. based ABS subprime auto Issuer

Offering Terms	\$212MM in six classes of bonds with maturity dates from 2025 to 2029 at a weighted average coupon of 5.64%. Coupons ranged from 3.30% to 9.80%
Use of Proceeds	<p>Tricolor used the net proceeds of the sale of the Notes to fund the origination of auto loans to borrowers within the target population from Tricolor Originators, which consisted of the financially underserved population that lacks equitable access to essential services, and are therefore, marginalized, due to the fact that they (1) are credit invisible (i.e. have no FICO® score) or (2) are low income.</p> <p>The origination of auto loans to the Target Population and the acquisition of the related Receivables by the Issuer comprises an Eligible Social Project with the objective of expanding financial inclusion by enabling (1) access to essential services through responsible lending products; and (2) socioeconomic advancement and empowerment with respect to equitable access to financing opportunities and reduction of income inequality.</p>
Underwriter	JP Morgan Securities LLC
Second Party Opinion	S&P Financial Services, LLC provided a Framework Alignment Opinion confirming our Framework aligns with ICMA's Social Bond Principles (2021)
CUSIPs	89616BAA2, 89616BAB0, 89616BAC8, 89616BAD6, 89616BAE4, 89616BAF1

## Impact Reporting

Social Impact	Impact Metrics	Expected	Actual
Access to affordable credit	Percentage of proceeds to Qualifying Loans	100%	100%
	% of borrowers with either no FICO or with household income below 80% of the median income	100%	100%
	Outstanding Principal Balance (OPB) of loans to borrowers with no FICO or with low income as % of the outstanding pool	100%	100%
Access to quality, dependable, essential services	% of borrowers who receive a free warranty	100%	100%
	% of warranty claims processed at no charge to customer	100%	100%
	% of installment payments processed with no fee to the customer	100%	100%
Socioeconomic advancement	% of borrowers who built a credit score with a major bureau	20%	41%



# Management Assertion

Management of Tricolor Auto Acceptance LLC (“Tricolor”) is responsible for the completeness, accuracy, and validity of this management assertion. Tricolor asserts that net proceeds of \$195.43 million<sup>i</sup> from the May 4, 2022 issuance of Tricolor Auto Securitization Trust 2022-1 Asset Backed Notes (the “Notes”) were allocated to 1) the acquisition of previously originated Eligible Loans (as defined below) from existing warehouse facilities (the “Initial Receivables”)<sup>ii,iii</sup>, 2) the acquisition of Eligible Loans originated during the period May 4, 2022 through July 31, 2022 from warehouse facilities (the “Subsequent Receivables”)<sup>iv</sup>, and 3) Eligible Loans originated during the period May 5, 2022 through May 31, 2022<sup>v</sup>, in accordance with the Eligibility Criteria (as defined below).

## Eligible Loans

Eligible Loans include loans that were originated in accordance with the Eligibility Criteria (as defined below).

Per the Use of Proceeds section of the Offering Memorandum dated April 29, 2022 (“Offering Memorandum”) accompanying the Notes, the following Eligibility Criteria were applied:

## Eligibility Criteria

Loans originated to obligors: (1) with no FICO<sup>vi</sup> or (2) who are Low-Income. “Low income” means that the customer’s income<sup>vii</sup> is less than or equal to 80% of the median county income<sup>viii</sup> or less than or equal to 200% of the federal poverty threshold as defined by the Community Reinvestment Act (“CRA”), the Federal Housing Finance Agency (FHFA), which includes Freddie Mac, and the United States Department of Health and Human Services (“HHS”).<sup>ix</sup>

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<sup>i</sup> For the purposes of this assertion, Tricolor calculated the net proceeds of \$195.43 million as the \$212.13 million face value of the Notes less the issuance and offering discount of \$1.86 million, other issuance costs of \$0.08 million, pay down of certain debt facilities of Tricolor of \$10.90 million, and amounts deposited in the reserve fund during the acquisition of the Initial and Subsequent Receivables of \$3.85 million. The amounts deposited in the reserve fund were calculated as 1.5% of the total aggregate principal balance of Initial Receivables of \$205.20 million, Subsequent Receivables of \$41.83 million, and Subsequent Receivables of \$9.47 million.

<sup>ii</sup> Per the Use of Proceeds section of the Offering Memorandum accompanying the issuance of the Notes, previously originated Eligible Loans which were originated within the 36 months preceding the Initial Cutoff Date, defined as March 31, 2022 within the Offering Memorandum, will be considered for inclusion as an Eligible Loan.

<sup>iii</sup> For the purposes of this assertion, Tricolor allocates net proceeds from the issuance of the Notes, in part or in whole, to the unpaid principal balance of individual Eligible Loans acquired as a part of the Initial Receivables as of the Initial Cutoff Date.

<sup>iv</sup> Tricolor acquired Subsequent Receivables on June 10, 2022 and July 14, 2022. For the purposes of this assertion, the cutoff dates for the Subsequent Receivables were May 30, 2022 and June 30, 2022 (the “Subsequent Cutoff Dates”). In addition, for the purposes of this assertion, Tricolor allocates net proceeds from the issuance of the Notes, in part or in whole, to the unpaid principal balance of individual Eligible Loans acquired as a part of the Subsequent Receivables as of the Subsequent Cutoff Dates.

<sup>v</sup> For the purposes of this assertion, Tricolor allocates net proceeds from the issuance of the Notes, in part or in whole, to the original loan amount of Eligible Loans originated during the period May 5, 2022 through May 31, 2022 which are not included within the Initial Receivables or Subsequent Receivables.

<sup>vi</sup> Tricolor determined an obligor has no FICO if, prior to loan origination, a credit reporting agency indicates it has no record of the obligor or reports a credit score of zero for the obligor.

<sup>vii</sup> Tricolor determined customer income based on pay stubs, pay checks, bank statements, and/or employment verification forms obtained during the loan application process.

<sup>viii</sup> Tricolor determined the median county income based on area median income data provided by Freddie Mac.

<sup>ix</sup> For the purposes of this assertion, Tricolor determined the federal poverty threshold using annual poverty thresholds published by the HHS which differ based on state of residence and household size. Tricolor determines the state of residence and household size of an obligor based on data self-reported by the obligor during the loan application process.



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## Independent Accountant's Report

Management  
Tricolor Auto Acceptance, LLC  
Irving, Texas

We have examined the accompanying management assertion of Tricolor Auto Acceptance, LLC that net proceeds of \$195.43 million from the May 4, 2022 issuance of Tricolor Auto Securitization Trust 2022-1 Asset Backed Notes were allocated to 1) the acquisition of previously originated Eligible Loans (as defined in management's assertion) from existing warehouse facilities (the "Initial Receivables"), 2) the acquisition of Eligible Loans originated during the period May 4, 2022 through July 31, 2022 from warehouse facilities (the "Subsequent Receivables"), and 3) Eligible Loans originated during the period May 5, 2022 through May 31, 2022, in accordance with the Eligibility Criteria defined in management's assertion.

Tricolor Auto Acceptance, LLC's management is responsible for its assertion and for the preparation and presentation of the subject matter in accordance with the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain and examine evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

Only the information included in the management assertion of Tricolor Auto Acceptance, LLC on page 7 is part of our examination engagement. The other information in the Tricolor Holdings 2023 ABS Social Bond Annual Report has not been subjected to the procedures applied in our examination engagement, and accordingly, we make no comment as to its completeness and accuracy and do not express an opinion or provide any assurance on such information.

In our opinion, management's assertion that \$195.43 million from the May 4, 2022 issuance of Tricolor Auto Securitization Trust 2022-1 Asset Backed Notes were allocated to 1) the acquisition of previously originated Eligible Loans (as defined in management's assertion) from existing warehouse facilities (the "Initial Receivables"), 2) the acquisition of Eligible Loans originated during the period May 4, 2022 through July 31, 2022 from warehouse facilities (the "Subsequent Receivables"), and 3) Eligible Loans originated during the period May 5, 2022 through May 31, 2022, in accordance with the Eligibility Criteria defined in management's assertion is fairly stated, in all material respects.

**BDO USA, P.C.**

San Francisco, California  
November 28, 2023

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## About Tricolor Holdings

Tricolor is a Community Development Financial Institution (CDFI) and mission-driven company which sells and finances high quality, certified used motor vehicles through its premium brands, Tricolor Auto Group in Texas and Ganas Auto Group in California, utilizing advanced data analytics and technology to advance financial inclusion to a highly underserved market and offer responsible, affordable, credit-building auto loans to individuals with no or limited credit history.

Headquartered in Dallas, Tricolor and its affiliate Ganas Auto Group operate over 50 retail dealerships across 20 markets in Texas, California, Nevada, Arizona, and New Mexico, as well as a shared services center in Guadalajara, Mexico. On a combined basis, Tricolor and Ganas have served over 80,000 customers and disbursed over \$2 billion in affordable auto loans by using its proprietary model to segment risk.



[tricolorholdings.com](http://tricolorholdings.com)

*Aspiring to be the best of doing well by doing good*