



Monday, November 24, 2008

NAF Webinar

Non-Prime Auto

Trends and Outlook



Welcome

Host



Jack Tracey, CAE, NAF Association Executive Director

Speaker Faculty



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Agenda

- State of the Non Prime Auto Finance Industry
 - Market size estimate based on originations in current selling environment
 - Credit trends on non-prime contracts
- Where are the opportunities?
 - Who is funding non prime and subprime paper?
 - What vehicles are sub prime customers buying?
 - What do these contracts and customers look like?



Monday, November 24, 2008

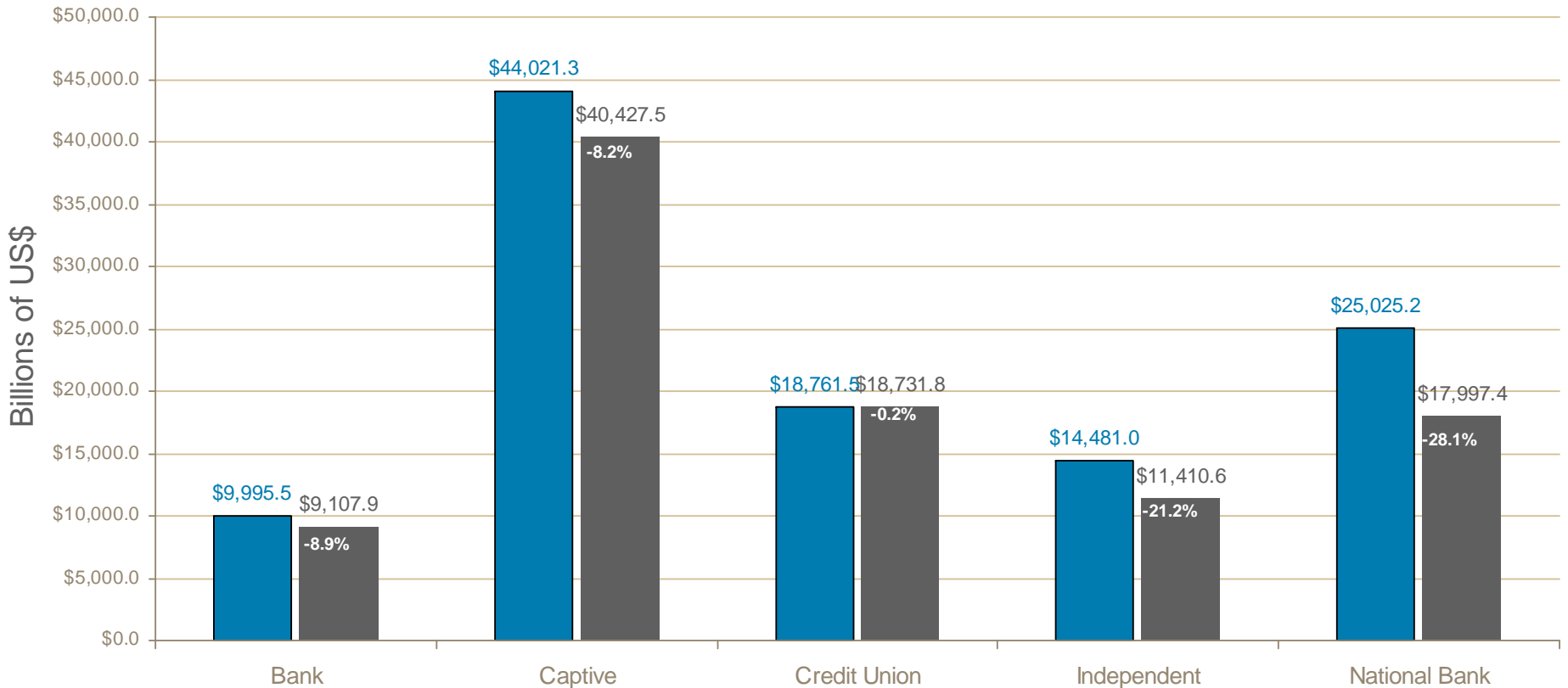
State of the Non-Prime Industry



Q2 YoY Comparison – Dollars by Segment

New Auto Loan Originations by Source - Dollars

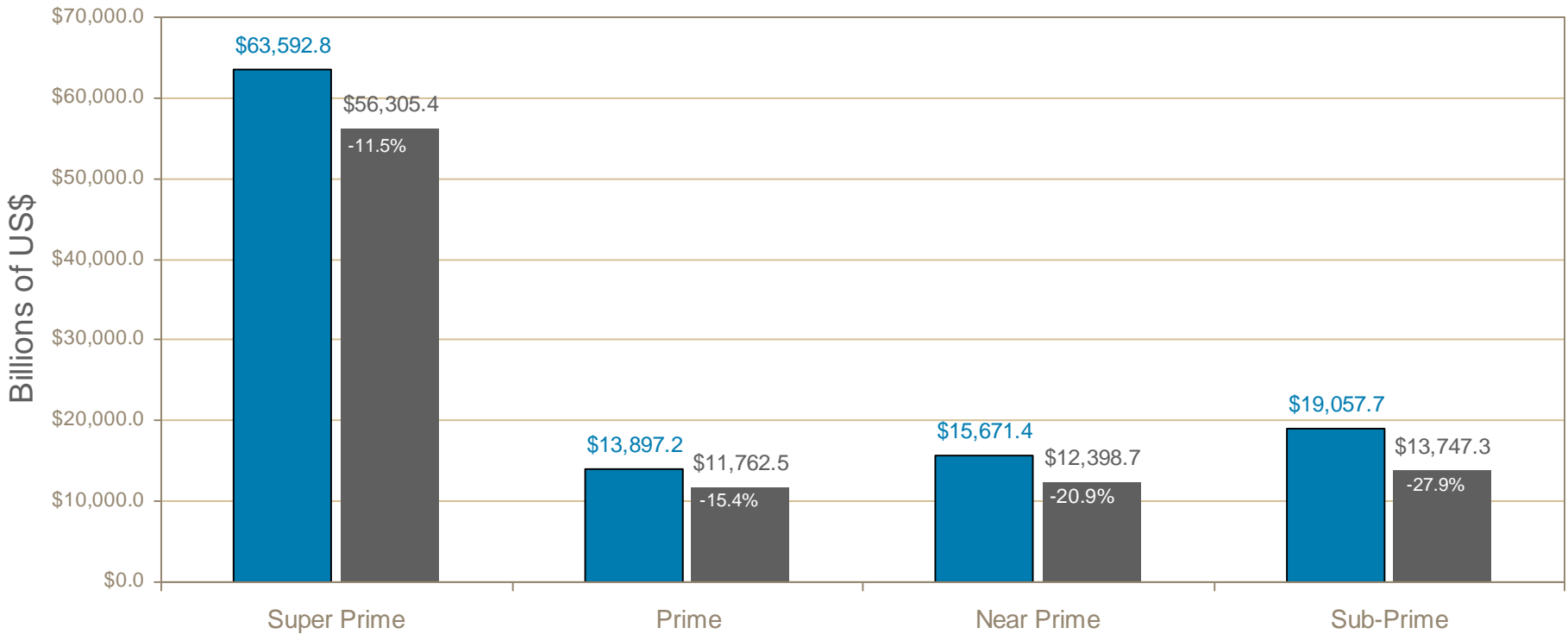
■ 2Q07 ■ 2Q08



Q2 YoY Comparison – Dollars by Credit Tier

Originations by Credit Tier

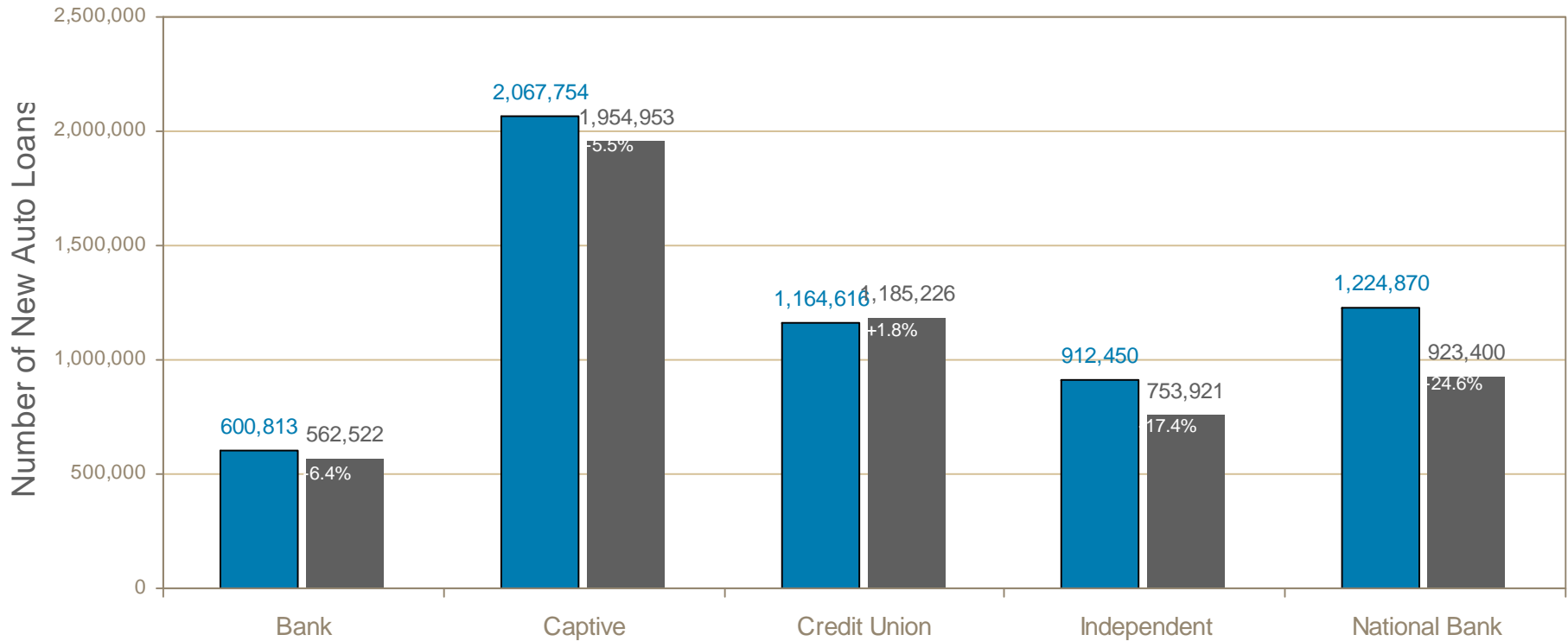
■ 2Q07 ■ 2Q08



Q2 YoY Comparison - # New Auto Loans

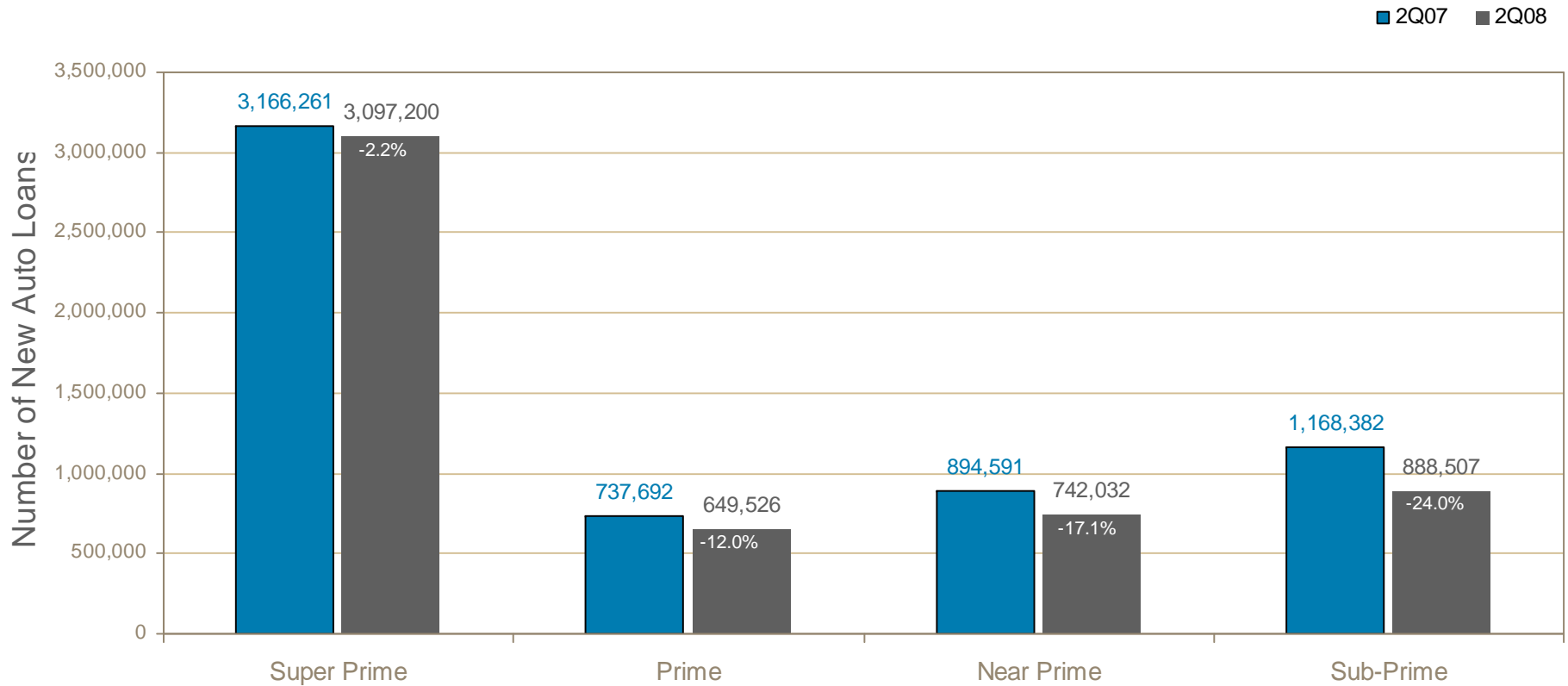
New Auto Loans by Source - Incidence

■ 2Q07 ■ 2Q08



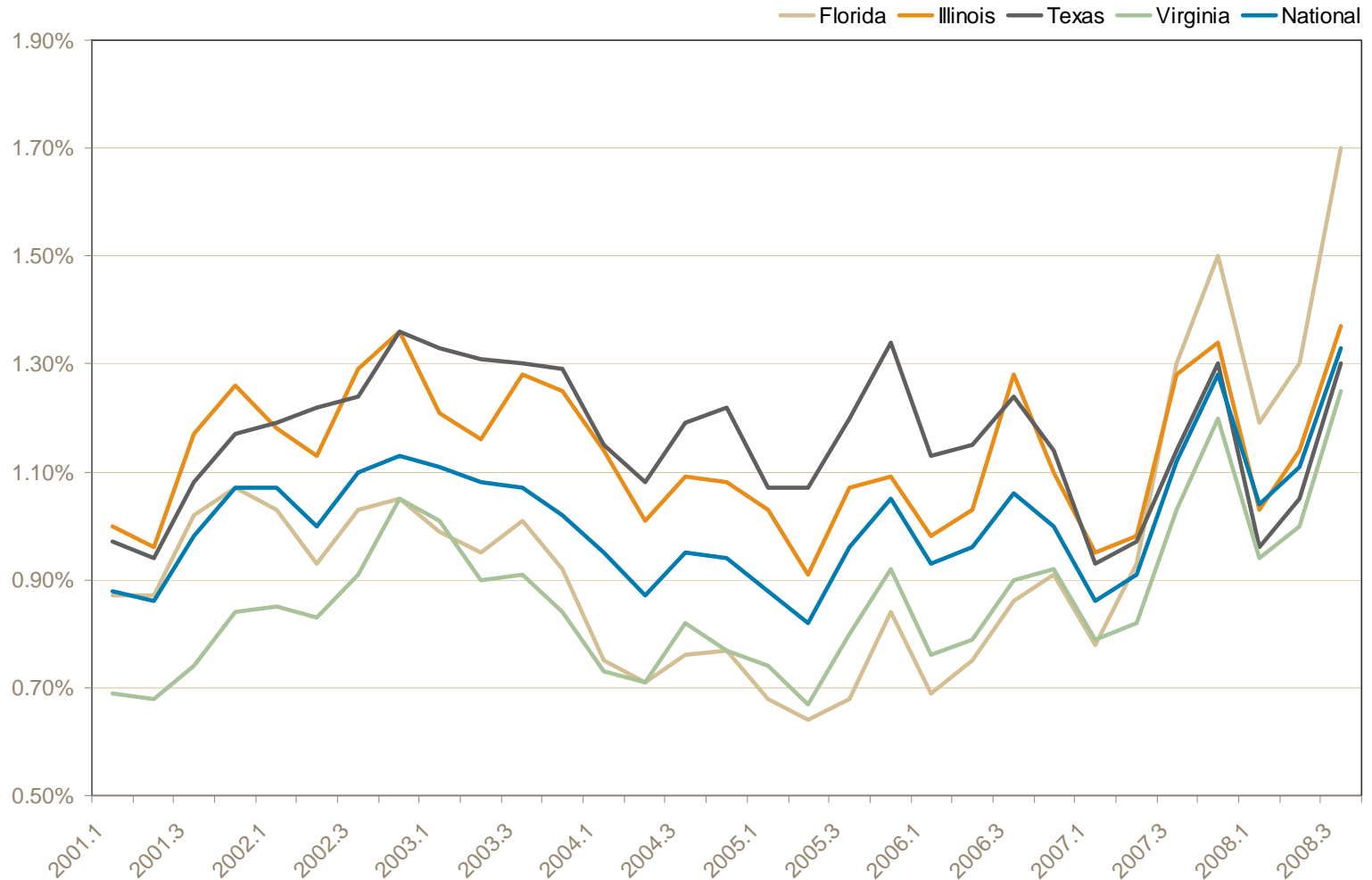
Q2 YoY Comparison - # New Auto Loans

New Auto Loan Originations by Credit Tier



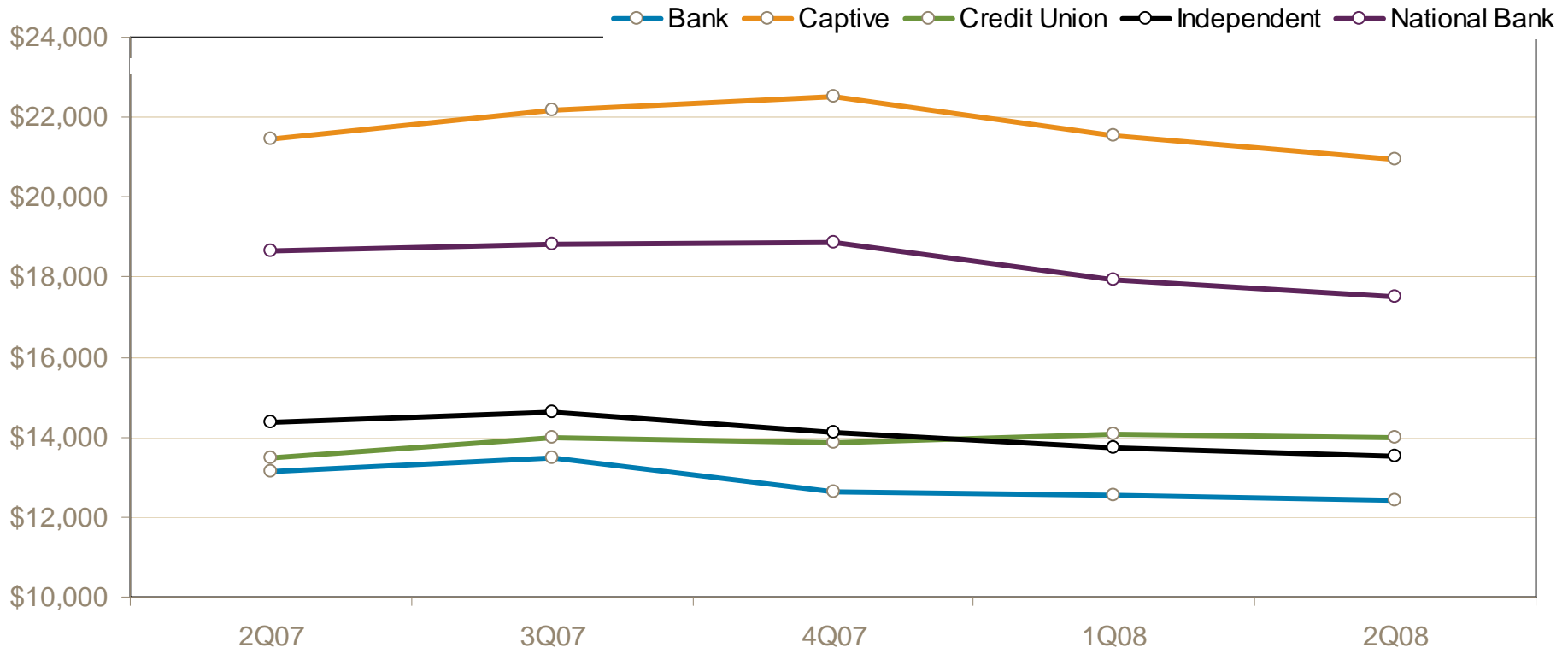
Finance Delinquency – 60+ DPD

Auto Finance 60+ DPD Rates



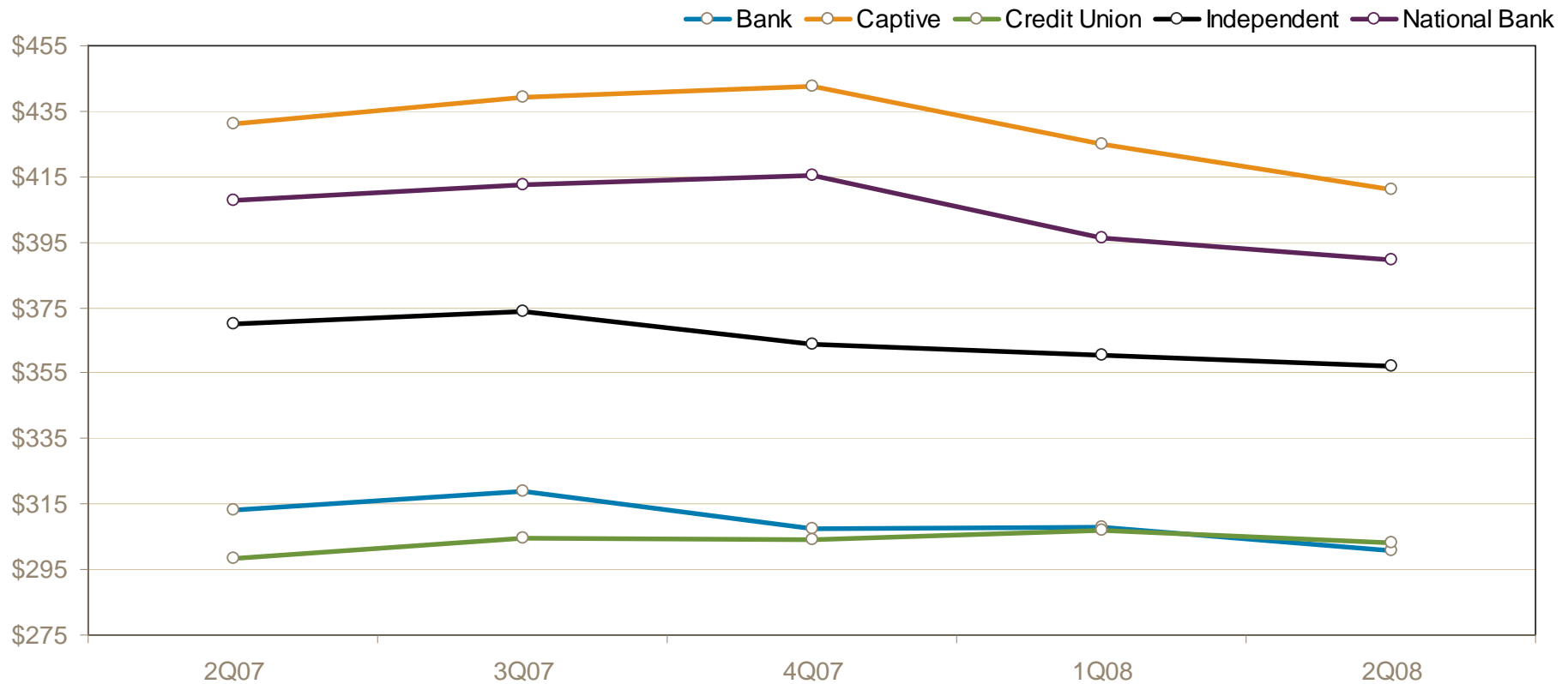
Average Loan Amount

Average Loan Amount - Sub-Prime New Vehicle Loans



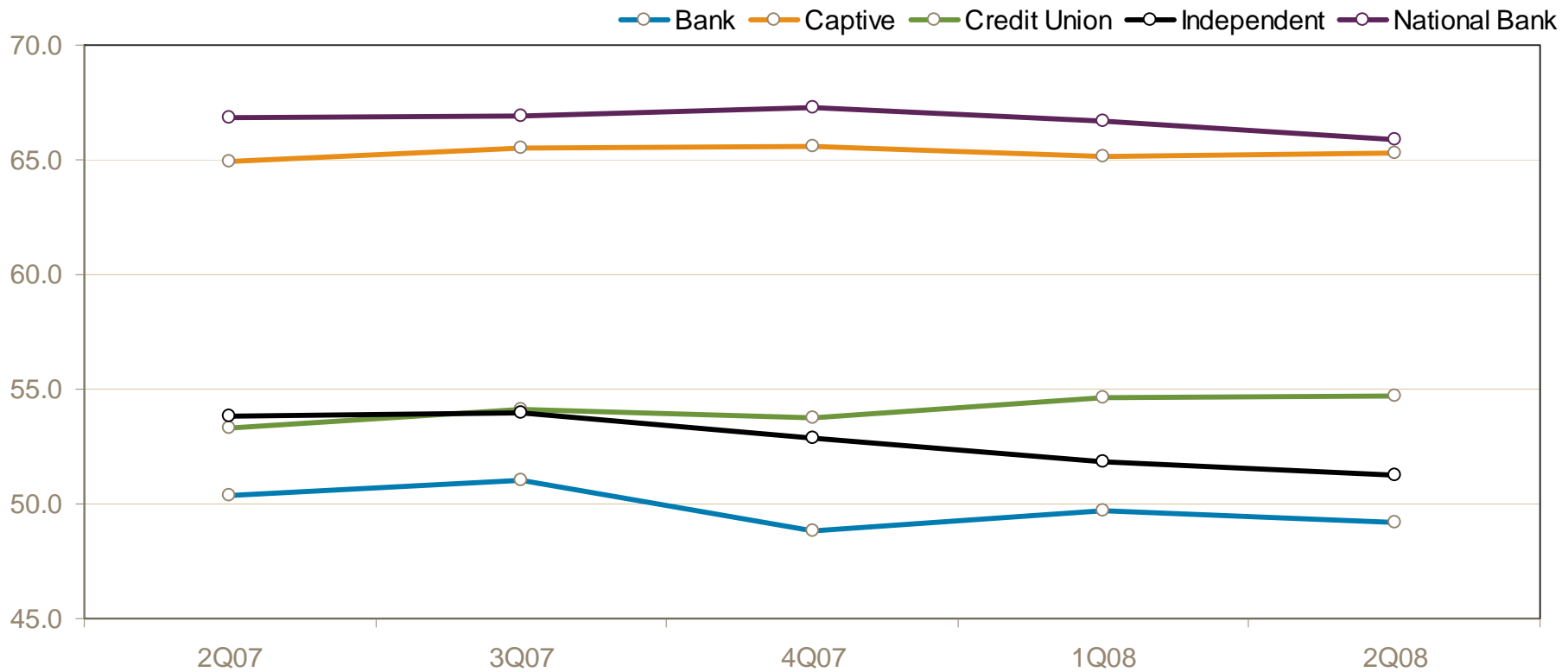
Average Monthly Payment

Average Monthly Payment - Sub-Prime New Vehicle Loans



Average Term

Average Loan Term - Sub-Prime New Vehicle Loans



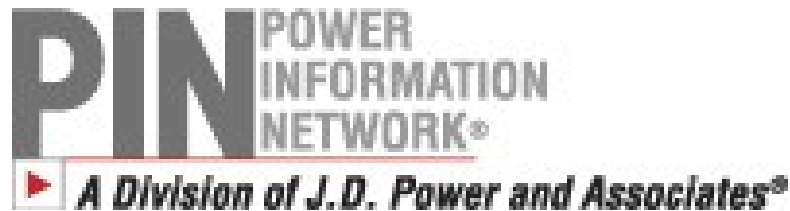


Monday, November 24, 2008

Where are the Opportunities?



Power Information Network (PIN) Background



- PINs data is gathered via partnerships with the franchised dealer network
- Data is sent to PIN via the DMS system in the F&I office off both the new and used vehicle lots
- PIN captures millions of retail transactions per year, with more than 200 fields per transaction record

What's The Data Look Like?75 Data Elements On Each Contract Including

Vehicle

- Make
- Manufacturer
- Model
- Model Year
- Nameplate
- Vehicle Body Style
- Vehicle Drive Type
- Vehicle – Number of Doors
- Vehicle Origin
- Vehicle Segment
- Vehicle Series
- Vehicle Sub Segment
- Vehicle Super Segment

Lender

- Lender Market Share
- Lender Name
- Lender Segment
- Lender Sub Segment

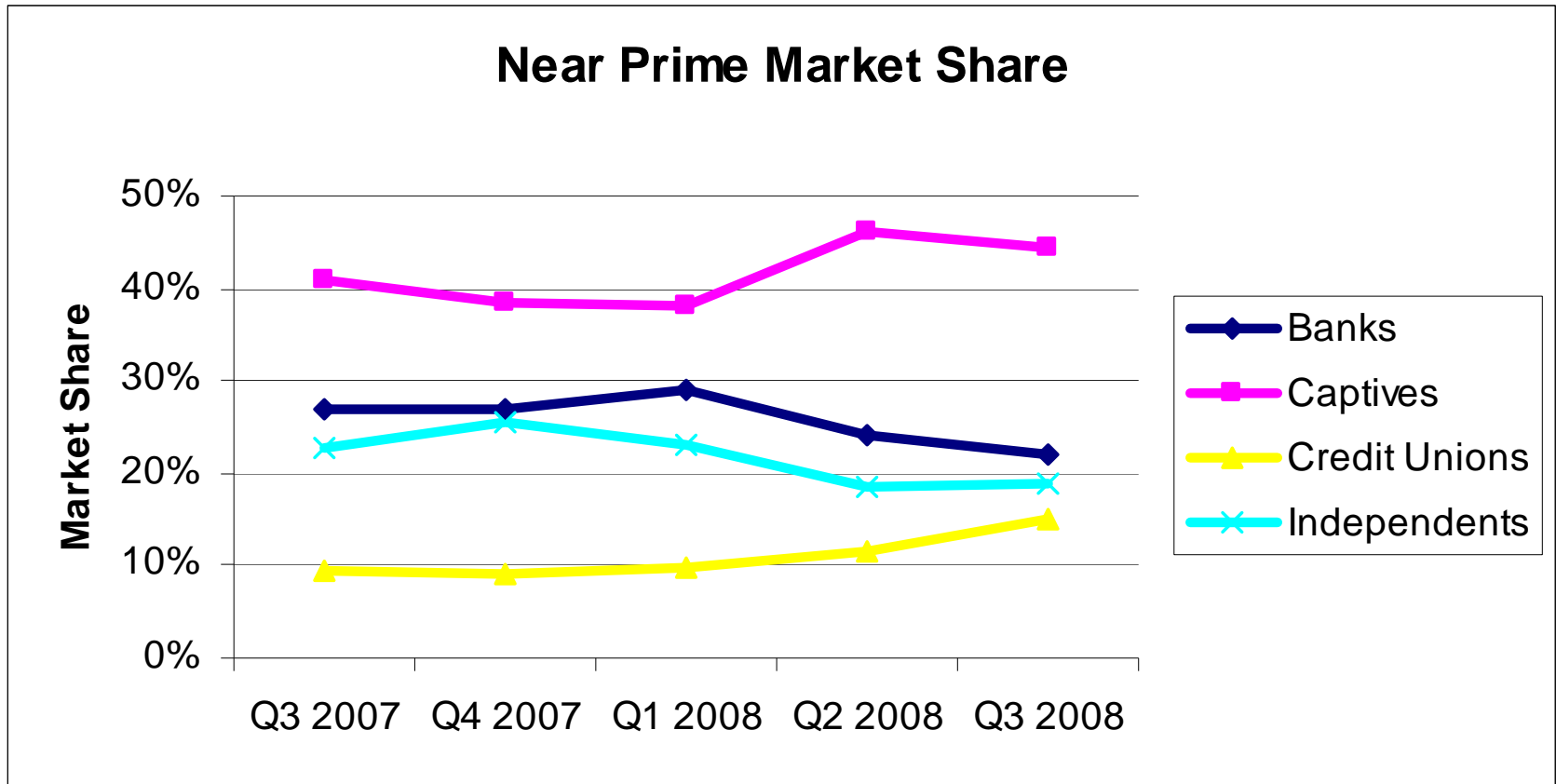
Contract

- Amount Financed - Loan
- APR/IRR
- Buy Rate
- Cap Reduction – Lease
- Contract Price
- Credit Tier/Score†
- Customer Cash Rebate
- Finance Reserve Amt.
- Lease Residual
- Loan-To-Cost
- Loan-To-Value (Adjusted and unadjusted for trade-in)
- Monthly Payment
- Percent Financed
- Spread
- Term
- Total Down
- Transaction Type
- Type of Sale
- Vehicle Price (with and without rebate)

Dealer

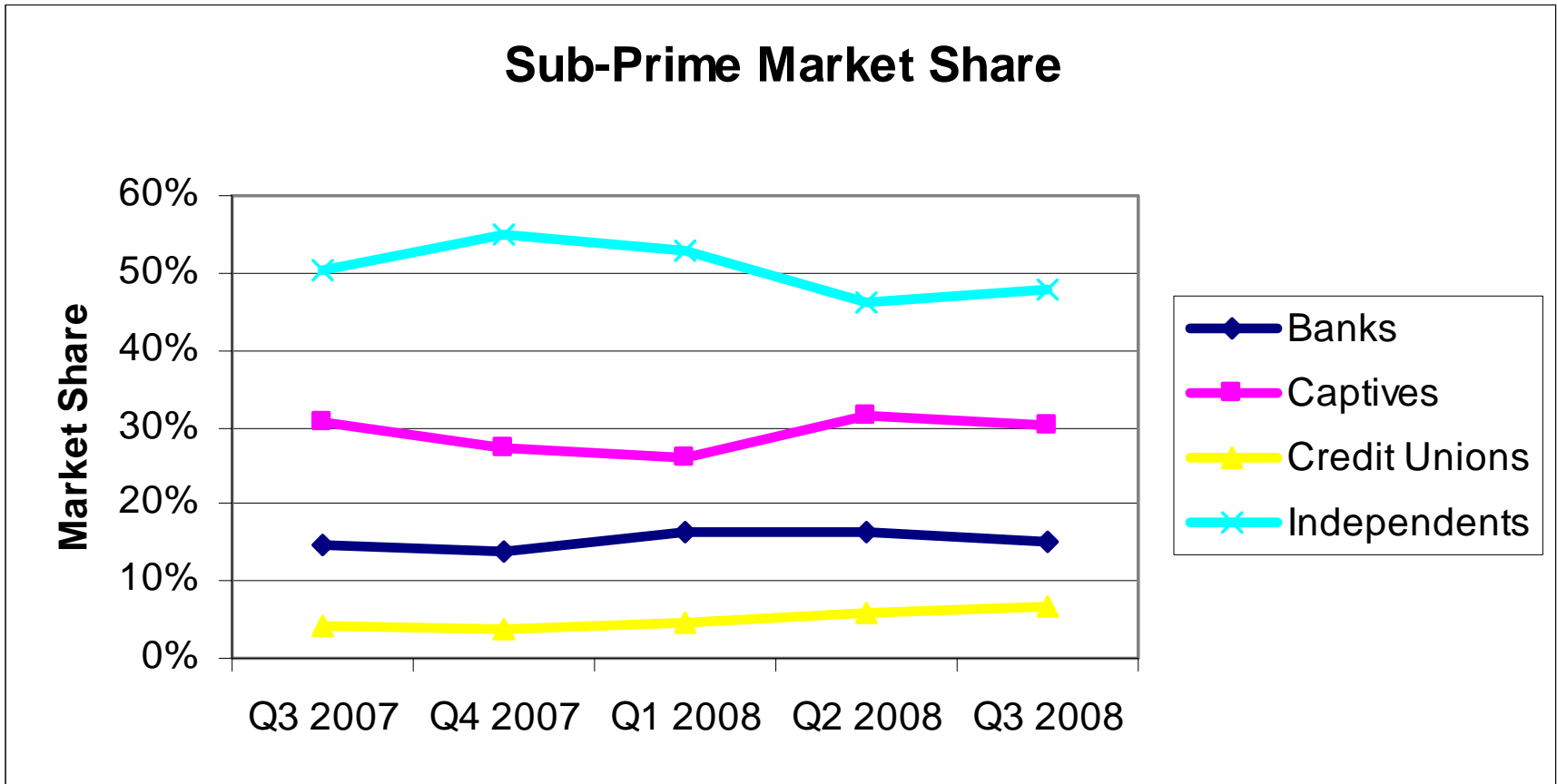
- Accidental Health Insurance Income
- Accidental Health Insurance Penetration
- Accidental Health Insurance Premium
- Finance Reserve Penetration
- Market Location
- State Location (Retailer)
- Service Contract Income
- Service Contract Penetration
- Service Contract Premiuma
- Total PIN F&I Income
- Vehicle Cost
- Vehicle Gross
- Vehicle Profit Margin

Market Share Trends – Near Prime



New & Used – Loan Only

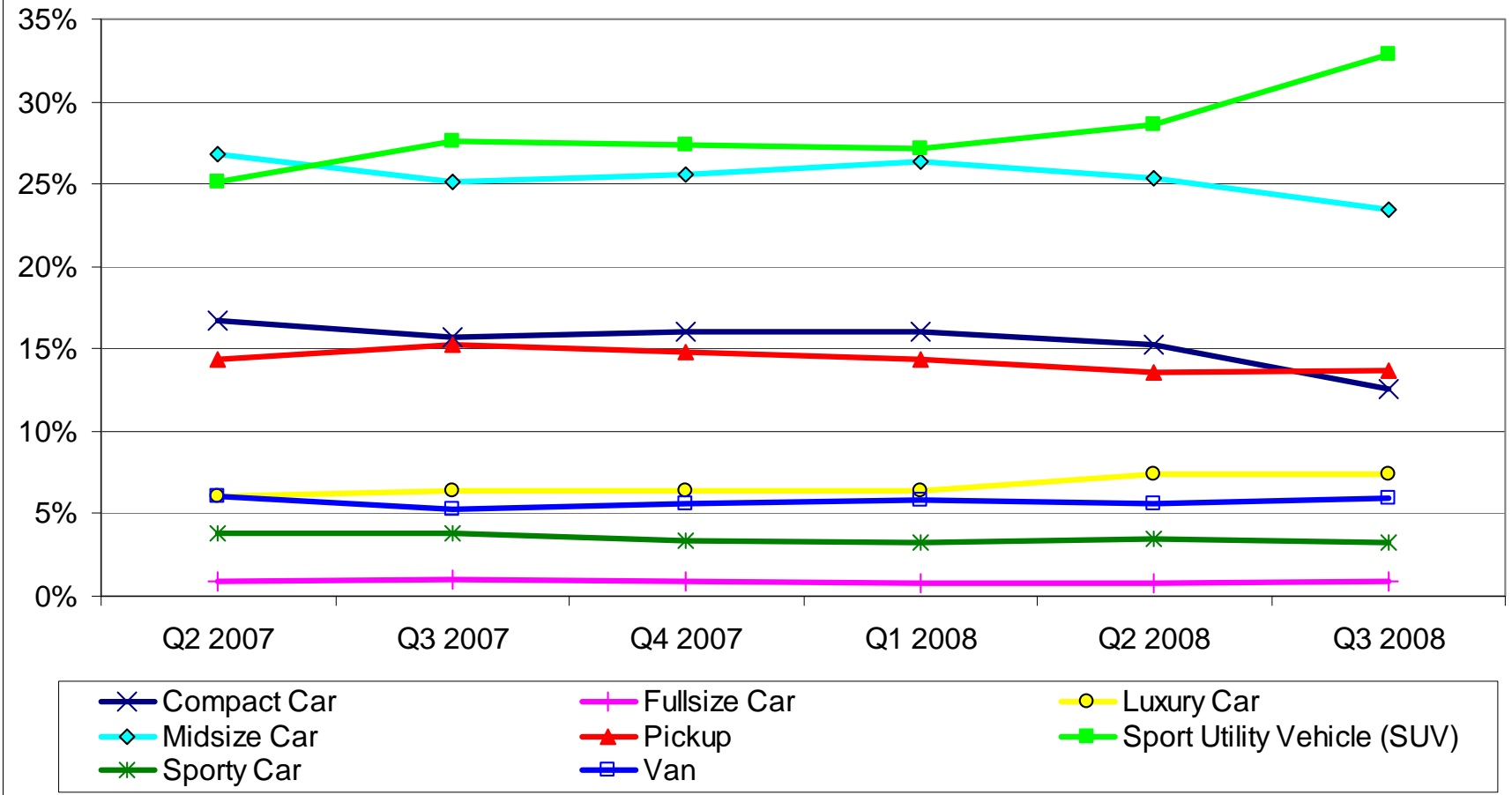
Market Share Trends – Sub-Prime



New & Used – Loan Only

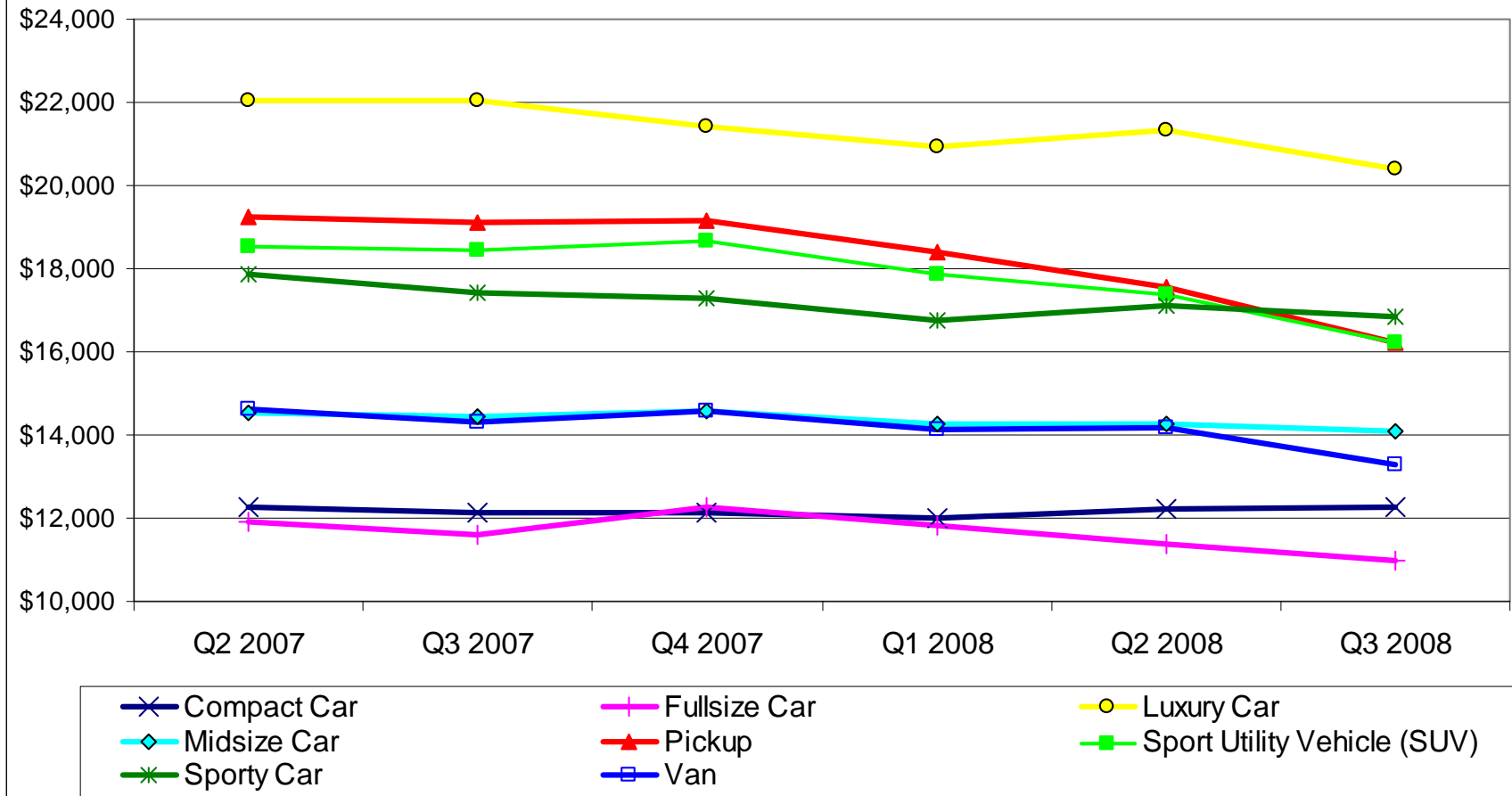
Demand For Used SUVs Is On The Rise

Quarterly Market Share Trends for Used Vehicles at the Sub-prime Level



SUV & Pickup Contract Prices Show Significant Declines

Quarterly Contract Price Trends for Used Vehicles at the Sub-prime Level



Lender Market Share Gains – Sub Prime

Q3 2008 vs Q2 2008 Sub Prime	
New Vehicles	Used Vehicles
Banks	
Chase Auto Finance Bank of America Crescent Bank & Trust Sovereign Bank Fifth Third	Chase Auto Finance Wells Fargo Bank of America Sovereign Bank Huntington National Bank
Independent Finance Companies	
Capital One Auto Finance AmeriCredit CitiFinancial Auto	Capital One Auto Finance AmeriCredit CitiFinancial Auto Credit Acceptance Corporation
Captives	
Chrysler Financial Ford Credit Hyundai Motor Finance Volkswagen Credit	Toyota Financial Services Ford Credit BMW Financial Services NMAC

2005-2007 MY Vehicles That Are Moving Off Of Dealer Lots – 3Q08

Top 2007 MY Vehicles	
Model	Days to Turn
Chevrolet Cobalt	45
Chrysler 300	50
Dodge Caliber	51
Chrysler PT Cruiser	53
Ford Mustang	54
Top 2006 MY Vehicles	
Model	Days to Turn
Nissan Altima	37
Chevrolet Trailblazer	39
Chrysler 300	41
Jeep Liberty	46
Ford Explorer	48
Top 2005 MY Vehicles	
Model	Days to Turn
Nissan Altima	37
Honda Accord	40
Chevrolet Equinox	41
Chevrolet Trailblazer	42
Chrysler Pacifica	42

- 2005 MY is the best selling model year within the sub-prime market

2005 MY – Contract Details

- Contract price for both Trailblazer and Altima are approximately \$1,000 lower than the industry overall
- LTV is substantially higher for Trailblazer
- The difference between the Consumer and Dealer rates is approximately 100 basis points across the board
- In addition to healthy spread, dealers are earning more profit in total from the F&I office on Altima

2005 MY - Q3 2008	Chevrolet Trailblazer	Nissan Altima	Industry Average
Amount Financed	\$15,047	\$15,324	\$15,941
Contract Price	\$14,030	\$14,326	\$15,345
APR	17.47%	16.39%	16.58%
Buy Rate	16.50%	15.26%	15.60%
Loan to Value %	112.50%	108.30%	107.40%
Monthly Payment	\$364	\$364	\$379
Term	64	64	63
Total F&I Income	\$799	\$1,014	\$820

Buyer Demographics – 2005 MY Customers

2005 MY Vehicles	Chevrolet Trailblazer	SUV	Nissan Altima	Midsize Car
Education: Bachelor's Degree or More	21.4%	24.0%	24.0%	23.4%
Median Household Income	\$49,291	\$52,604	\$51,714	\$51,205
% Married	54.8%	56.2%	54.3%	54.6%
% Households with 1 Vehicle	34.8%	33.7%	35.4%	35.1%
% Households with 2 Vehicles	38.2%	39.1%	37.4%	37.8%
Employment: White Collar (%)	57.0%	59.2%	59.4%	58.6%
Ethnicity: African American (%)	21.2%	18.7%	21.3%	19.7%
Ethnicity: Asian (%)	2.8%	4.2%	5.2%	4.7%
Ethnicity: Caucasian (%)	68.5%	67.2%	58.8%	64.6%

Summary

- Pockets of Opportunity
- Stay laser focused on local market conditions
- Accelerate preparation efforts for better times



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