



# **National Auto Finance Association**

**June 6, 2007**



**Why are we here?**

# MAKE MORE MONEY

Sell more and save more

# OBJECTIVES

- Improve collections
- Reduce losses
- Improve underwriting
- Reduce staffing levels, overhead & repossessions

# OBJECTIVES

- Accelerate payments, get your money faster
- Improve efficiency in your payment process
- Improve customer convenience

# CURRENT ENVIRONMENT

- Sub-prime mortgage losses
- Competition in manufacturing

# CURRENT ENVIRONMENT

- Sub-prime characteristics
  - o FICO score  $\leq$  650
  - o Longer loan terms (61 mo. vs 56)
  - o Lower down payments as a percentage of purchase price (12% vs 18%)
  - o Higher LTV (109% vs 97%)
  - o Higher retail turn rate (72 days vs 62)

# HOW TO SUCCEED

- Recognize higher levels of risk
- Maintain strong underwriting standards
- Keep customer relationship in perspective
- Use new technology

# NEW PAYMENT TECHNOLOGY

- Electronification
- Check 21
  - o Reduced float on checks
  - o Increased number of bounced checks

# ELECTRONIC CHECK RECOVERY

## - Process

- o After it bounces, the bank sends it to a third-party lockbox
- o Check is converted to electronic ACH debit
- o Check writer

# ELECTRONIC CHECK RECOVERY

## - Process

- Two presentments generate an 80% successful collection rate
- 100% of collected funds credited to your account
- State-regulated NSF fees also collected & shared between processor & you

# ELECTRONIC CHECK RECOVERY

## - Benefits

- o Improved collection rates (50% increase is typical)
- o Reduced workload on collection staff
- o Reduction in overhead & staffing for collections & process receivables

# ELECTRONIC CHECK RECOVERY

## - Benefits

- o Acceleration of payments
- o Reduced exposure to bad debt & repossessions
- o Outsourcing reduces costs & improves operational efficiency

# ELECTRONIC CHECK RECOVERY

## - Benefits

- Allows you to focus time to allocate resources on more productive areas
- Higher cash flow & profitability
- No cost to you; no budgeting required
- Reduced bank fees

# ELECTRONIC CHECK RECOVERY

## - Benefits

- Reduced involvement from expensive collection companies
- No equipment to buy or rent
- Very easy implementation
- Returned payments that were initiated by paper check or ACH debit over-the-phone or Web can be represented electronically

# EXAMPLES OF BENEFITS

Assume:

- 1,000,000 customers with 80% paying by check (paper or ACH)
- 2% return rate
- \$250 average payment
- 30% current collection rate by re-depositing through the bank

# EXAMPLES OF BENEFITS

Then:

- 16,000 monthly returns totaling \$4,000,000
- After re-depositing checks, still left with 11,200 or \$2,800,000 for collections staff
- Pay bank \$48,000 each month for re-depositing checks

# EXAMPLES OF BENEFITS

- By utilizing Electronic Check Recovery
  - o 80% collection rate = 12,800 or \$3,200,000 collected
  - o By collecting 8,000 more checks, that's a \$2,000,000 improvement to cash flow, & almost \$50,000 in bank fee savings

# NEW TECHNOLOGY

- Front-end acceptance of payments
- Take checks, credit & debit cards via the Web, IVR or phone line

# NEW TECHNOLOGY

## - Benefits

- Acceleration of payments
- Improved customer convenience & satisfaction
- Cost-effective access to new payment alternatives
- Outsourcing avoids development costs
- Reduced processing costs with new electronic options
- Flexibility may avoid bounces or repo's

# NEW TECHNOLOGY

- Verification
  - o Screen a check prior to accepting it
  - o Instant accept or decline decision
  - o Used for Web, phone or in-person check payments
  - o Negative & positive databases are utilized
  - o No equipment necessary to buy or lease

# NEXT STEPS

- What are you doing currently?
  - o Re-depositing: What are your collection rates?  
How much are you paying in bank fees?
  - o What is the financial impact of a free, outsourced solution for returned payments?
  - o Are we offering the best alternatives to our customers for making payments?