

NON-PRIME TIMES

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SUMMER, 2006



10TH ANNUAL NON-PRIME AUTO FINANCING CONFERENCE

More than 160 companies were represented among the more than 300 attendees, speakers, sponsors and exhibitors at the NAF Association's 10th Annual Non-Prime Auto Financing Conference in Fort Worth.

Several speakers recognized the anniversary by reviewing the changes in the industry over the 10 years.



John Scordo

In the opening remarks, NAF Association chairman, John Scordo of Centrix Financial, noted that the non-prime auto industry has grown into a \$260 billion dollar industry with no sign of slowing down. He said it is "the fastest growing segment of the auto industry...expanding at twice the rate of the industry overall." Some of the largest financial institutions in the US are

entering the market along with credit unions and captive auto finance companies. The interest is the result of several factors, he said, such as: the development of FICO and now Vantage credit scoring; technological advances in evaluating credit; increasing sophistication in underwriting and collections; and the economic reality of the 21st century. "We're becoming a non-prime nation," says Scordo, "as more and more Americans are trapped by a financial imbalance."



Marguerite Watanabe

The NAF Association's annual meeting included a preview of the Association's 2006 Non-Prime Automotive Financing Survey, conducted by BenchMark Consulting International. Among the findings are increases in portfolio and origination dollars and number of accounts and decrease in delinquencies.

Marguerite Watanabe contrasted this year's results with the Association's first survey showed that current terms are longer (only 5.1% of contracts were over 60 months in the first survey; this year more than half of the contracts held by the larger companies exceed 60months), but decision time is shorter (5.3% of decisions took less than 30 minutes in the first survey; now about 18% of the decisions made by the smaller companies take less than 10 minutes).

The NAF Association committees have new chairs: Eric Johnson, Phillips, McFall McCaffrey McVay & Murrah, PC. legal committee; David Kelly, Easterns Automotive Group, education committee; Marguerite Watanabe, membership committee; and Jim Bass, DriversSelect, ways & means and by-laws.



Eric Johnson

2006 SURVEY AVAILABLE

The NAF Association's 2006 Non-Prime Automotive Financing Survey, conducted by BenchMark Consulting International, has been published.

The survey analyzes 2005 year end data and compares it to previous year's surveys to discover trends in the non-prime auto financing market. Twenty- three companies participated in the survey, and most were independent finance companies and banks.

Respondents were divided into large (40,000 and more accounts) and

small/medium (fewer than 40,000 accounts) segments to make the data more relevant for companies of all sizes.

Since no individual results are reported, each participating company is assured of confidentiality.

The 2006 survey reports increases in portfolio dollars and number of accounts as well as increases in dollars and number of accounts in originations. It also shows that delinquencies have declined since last year.

Learning how companies use the Internet

has been of interest for several years now, and this year's survey shows that respondents increasingly use the Internet for advertising, approvals and account service. Use of the Internet for disposals and collections is decreasing.

The survey is distributed at no cost to the companies that participated and to NAF Association members. For others, the cost is \$300 and can be ordered on line at:

https://nafassociation.com/order_survey.php

SOME THINGS LEARNED AT THE CONFERENCE

“Good information” is a frequent comment on conference evaluation sheets. Here is a sample of what people learned at the 10th Annual Non-Prime Auto Financing Conference:



Art Spinella

• Art Spinella, president of the automotive division of CNW Marketing Research, confirmed that the non-prime market is growing and went on to describe the typical customer. Some key characteristics are: spending exceeds income; savings and investment are unlikely; and Internet use to research car purchases is low.

• Juan Faura, president, CEO and founder of Cultura, an advertising agency that specializes in marketing to the Hispanic population, provided that market for the con-

ference attendees. The market is 41 to 45 million people strong – approximately 14% of the US – and spends \$780 billion each year and continues to grow. Respecting Hispanic customers and having patience with them can override the need to speak Spanish with them. It is also important to remember: more than 60% of Hispanic adults have at least one year of college; these customers are good payors; and cars are still important status symbols for many Hispanic customers.



Tom Webb

• Tom Webb, chief economist, Manheim, sees the economy slowing. Interest rates are rising, gas prices are putting pressure on the non-prime buyer and, although looking strong right now, the labor market is slowing

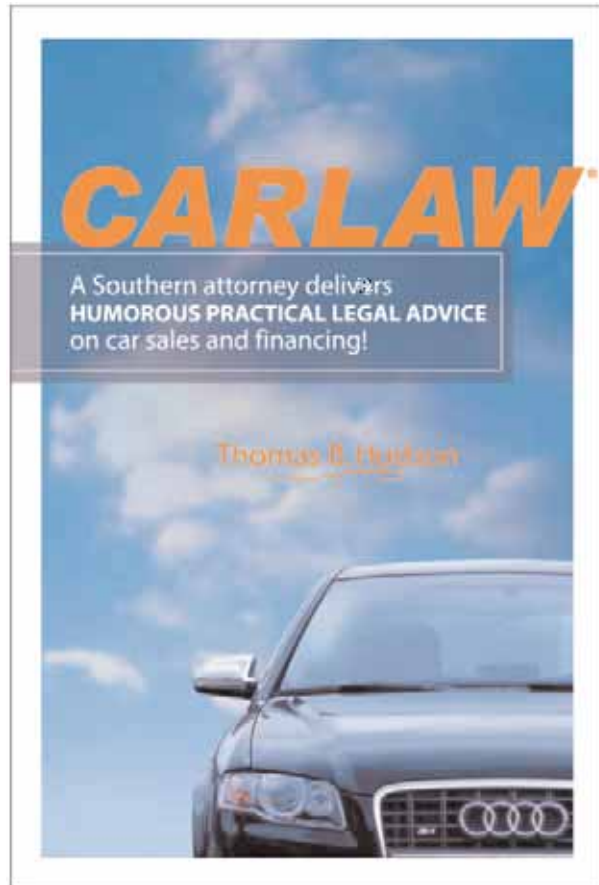
down too.

• Dennis DesRosiers, president, DesRosiers Automotive Consultants, Inc., showed the differences between the U.S. and Canadian markets. For example, the former deals with more than 60 million units; the latter with about four million. Auto leasing is a larger part of the market in Canada than in the U.S.



Chip Riordan

• Colin Barry, U.S. Secret Service agent, and Chip Riordan, CMSI, told those who stayed until the end of the conference that identity theft is the fastest growing crime in the U.S. The quality and availability of identity documents are increasing, but dealers and lenders are beginning to counteract this by improving the verification process.



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EXECUTIVE DIRECTOR'S MESSAGE



In its 10 years in operation, the National Automotive Finance Association has been fortunate to continue to grow. You can see a list of the most recent new members on page 4. We find that our best recruitment tool is our members; many of the companies who join the NAF Association do so at the invitation of a current member.

All companies doing business in the non-prime auto industry are good candidates for membership. The benefits of being a member include:

- The Association is the voice of the non-prime industry, addressing the challenges of sales finance companies, dealers and third party service providers.
- It is the only organization that specifically supports the non-prime portion of the automobile finance industry.

- You will meet and network with senior officers of the member companies, engage in healthy interchange of ideas, all leading to an understanding of where the industry is heading.

- Representatives of organizations critical to the success of our industry are regular contributors to our meetings. You will hear from leaders of the legal community, investment bankers, regulators and rating agencies at our annual conference and at other times during the year.

- The networking is invaluable in keeping up with the trends in the industry — not secrets, exactly, but a broad exchange of ideas and problems that relate to the non-prime auto finance segment.

- The Association's annual survey is the only survey that exclusively reports on the non-prime auto finance industry. The invaluable information is available to members, and members are welcomed, urged to participate in the data gathering steps.

- The educational programs on the strategic issues that face all of us are a benefit the industry.

- The associate members, many of whom are vendors, provide valuable information and insight into what is going on around the country.

- We are actively recruiting leading, influential automobile dealers to join those who are already members to improve the business relationship between the dealers and the sales finance companies.

- The majority of the non-prime sales finance companies are members of the NAF Association, and there is a real opportunity for the association to become the voice of the industry to the press and to legislative bodies.

The NAF Association continues to build credibility in our industry. For more information and to join or renew on line, go to www.nafassociation.com or contact me at 800-463-8955.

WORKSHOP PLANNED IN OCTOBER: NON-PRIME DEALER/LENDER PANEL

The NAF Association Workshop will be held October 8, 2006, 3 to 6 pm, at Caesars Palace in Las Vegas in conjunction with the 11th Annual National Special Finance and Buy Here-Pay Here Conference (www.twentygroups.com). There is no additional charge for conference attendees.

The workshop will feature a dealer/lender panel:

- OFAC requirements
- How to reduce repossession losses
- New Bankruptcy Act
- How to incentivise your managers to promote a healthy inventory and appeal to finance companies

David Kelley, Easterns Automotive Group and chairman of the NAF Association's education committee, will be the moderator.

- Dealer panelists include:

Ben Donnarumma, Allstar Auto Sales
Marlborough, MA

BA Nerison, Wheel City Auto
Sioux Falls, SD

Gus Camacho, Camacho Auto Sales

Lancaster, CA

John Dangerfield, Johnny's Truck and Auto Center
Moncks Corner, SC

Roy Greenblatt, Matt Blatt Isuzu
Glassboro, NJ

- Lender panelists include:

Bruce Newmark, Chief Operating Officer
Westlake Financial Services

Burke George, Managing Director
Citifinancial Auto

John Sullivan, First Vice President/Custom
Regional Manager
Chase Auto Finance

Kevin O'Connell, Chief Credit Officer
Flagship Credit Corp.

Visit www.nafassociation.com for program and registration updates. To attend the workshop but not the conference, contact the NAF Association at 800-463-8955 or metracey@nafassociation.com.

NEW MEMBER HIGHLIGHTS

BridgeFunds Collection Program provides collectors with a powerful tool to quickly bring their customers accounts current. BridgeFunds will advance cash to individuals against the future settlement value of their claim and can make payments to creditors who refer customers involved in a claim situation.

Knight Insurance Group implements insurance programs geared to make more profit for our partners. Through a comprehensive review, we create programs tailored to fit your needs. Our technology enables higher profit margins that we share with our clients to develop long-term partnerships. Our offer: CPI/GAP, Captive Management and Reinsurance.

Pay Technologies LLC designs and builds innovative Starter Interrupt Systems for the automotive dealers and automotive finance industry. Dealers claim that late payments drop to around 5 percent from more than 30 percent. This results in a positive cash flow and staff for collection is reduced.

Premier Lease & Loan Services, a member of Great American Insurance Group, makes business easier, more secure and more profitable for vehicle lenders and lessors with insurance products that provide risk management and revenue enhancement.

van Wagenen Financial Services, Inc. is an industry leader in lease tracking, real estate insurance services, collateral protection, and blanket portfolio coverage, with nearly 75 years experience. Today, the company provides services for hundreds of clients throughout the USA and Canada.

JOIN THE NAF ASSOCIATION

The National Automotive Finance Association is the only trade association exclusively serving the non-prime auto financing industry. It supports its members and the industry with education, research and information. The Annual Non-Prime Auto Financing Conference is the industry's premier conference, bringing together creditors and dealers. The annual Non-Prime Auto Financing Survey gathers comprehensive information and reports industry trends and shifts.

Go to www.nafassociation.com. for information and on-line registration form or call 800-463-8955.

NEW MEMBERS

The NAF Association welcomes new members:

Autobank

www.autobankcorp.com

Bates White LLC

www.bateswhite.com

blueSky Marketing

www.blueskymg.com

BridgeFunds

www.bridge-funds.com

Experian

www.experian.com

Gowling Lafleur Henderson LLP

www.gowlings.com

Greybrook Credit Corporation

www.greybrookcredit.com

Knight Insurance Group

www.knightcompany.com

PatriotDealer.com

www.patriotdealer.com

Pay Technologies LLC

www.payteck.cc

Premier Lease & Loan Services

www.pls.com

Top Finance Company, Inc.

www.topfinance.com

Tri-State Auto Auction, Inc.

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NAF ASSOCIATION WORKSHOP

OCTOBER 8, 2006

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If you would like to contribute a newsletter article, contact us for details.

