

2014 BHPH / LHPH Benchmarks & Trends Update

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Booth #211



Booth #213



Understanding The Subprime Market (Thru September, 2014)



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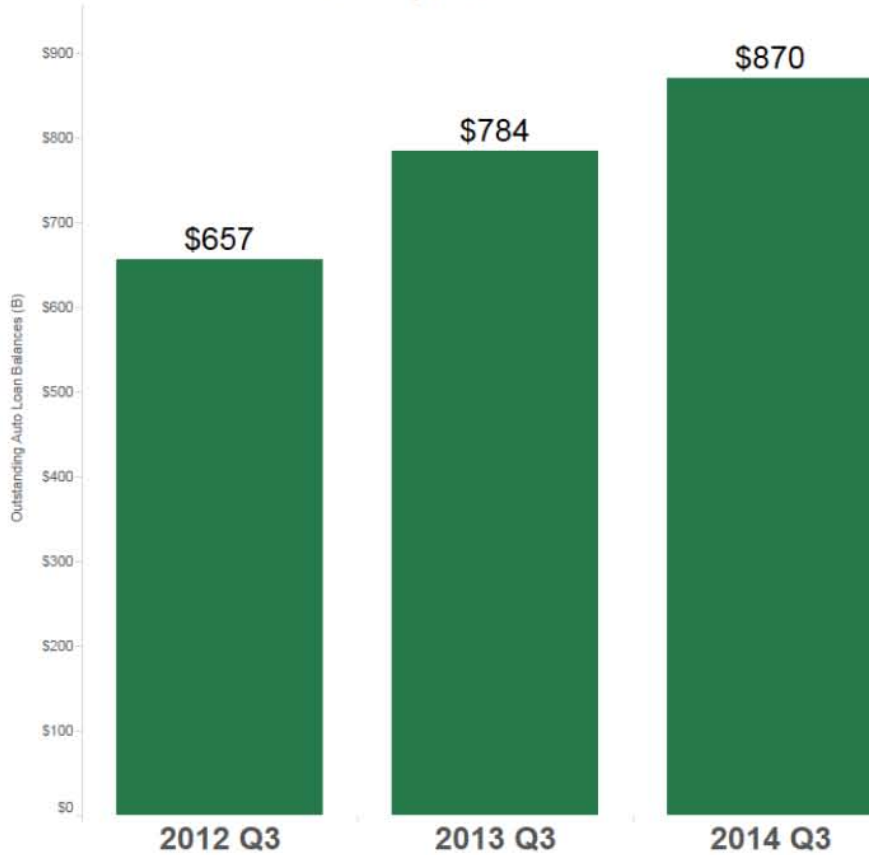




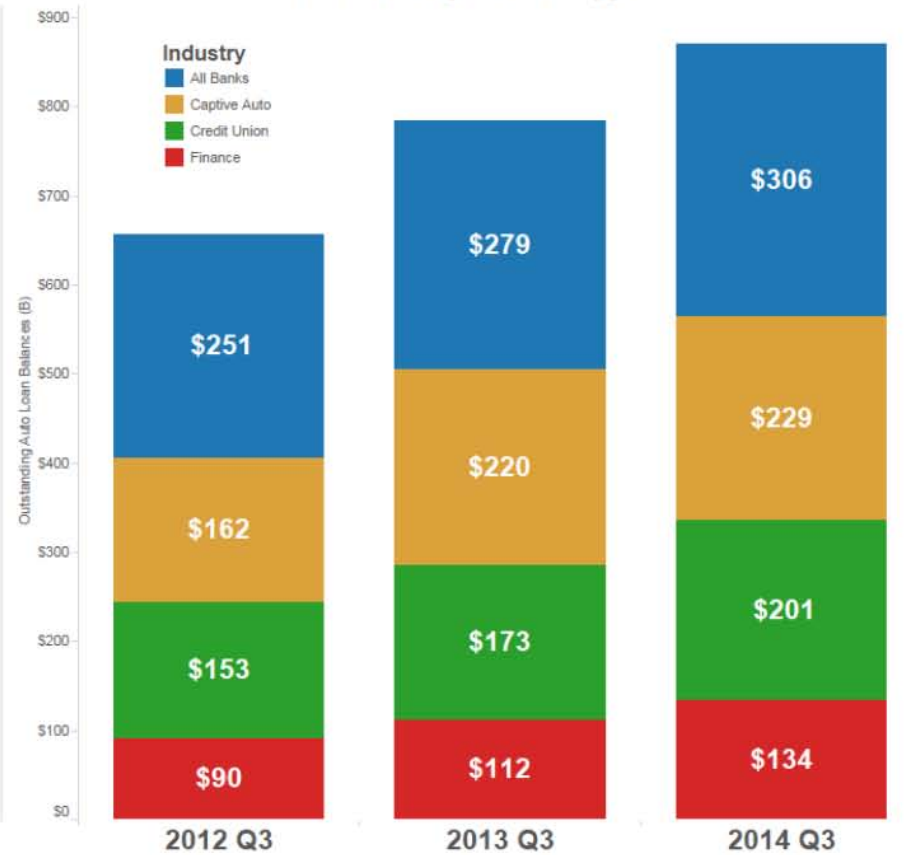
A look at automotive loan balances

Outstanding automotive loan balances

Total open balances



Balances by lender type

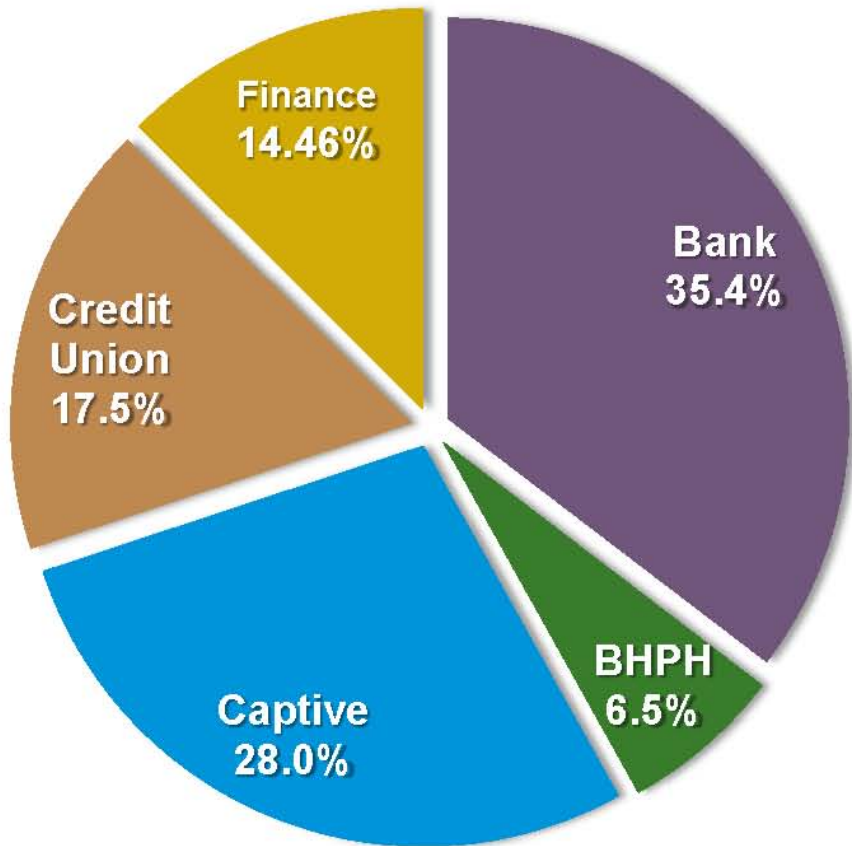


Source: Experian-Oliver Wyman Market Intelligence Reports

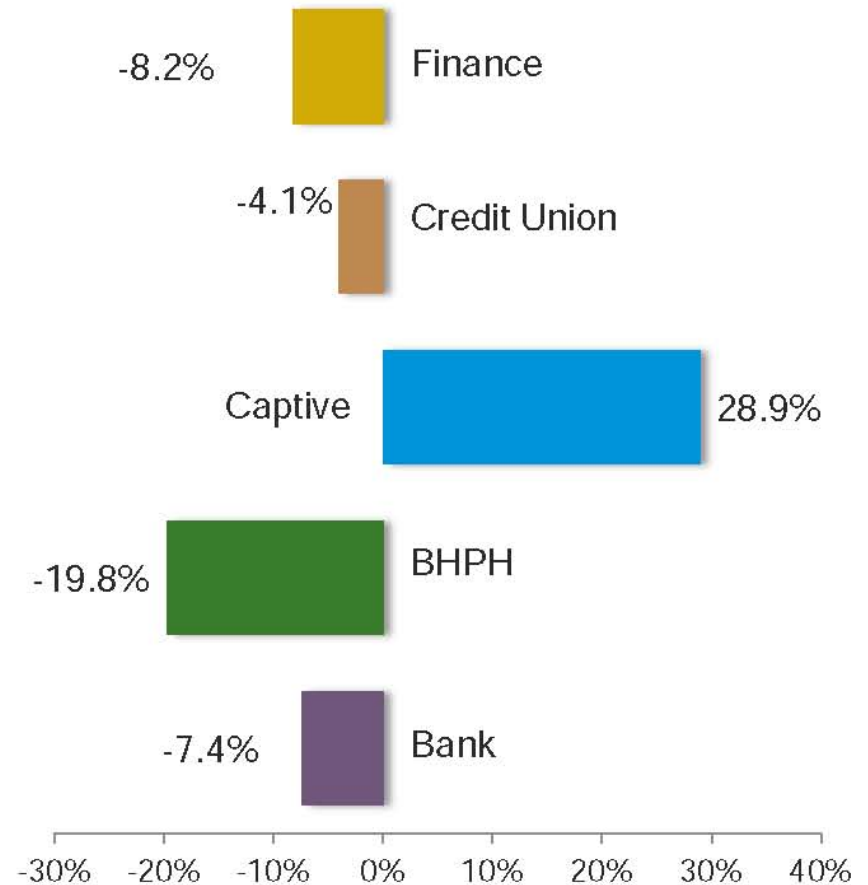


Automotive finance by lender type

Q3 2014 total loan market share



YOY change in market share

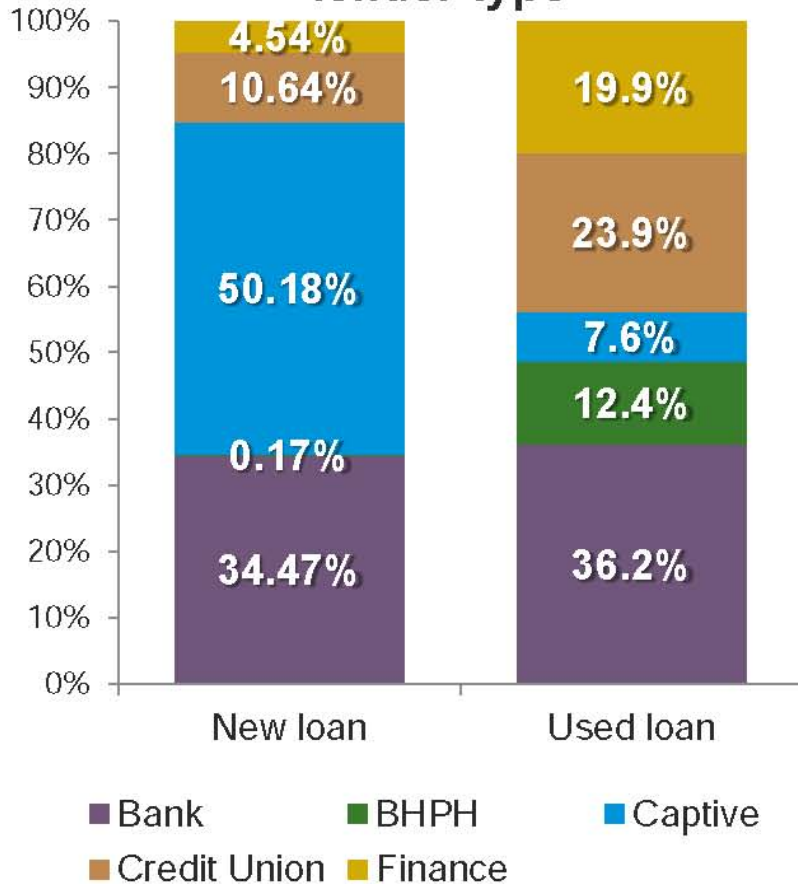


Source: Experian Automotive

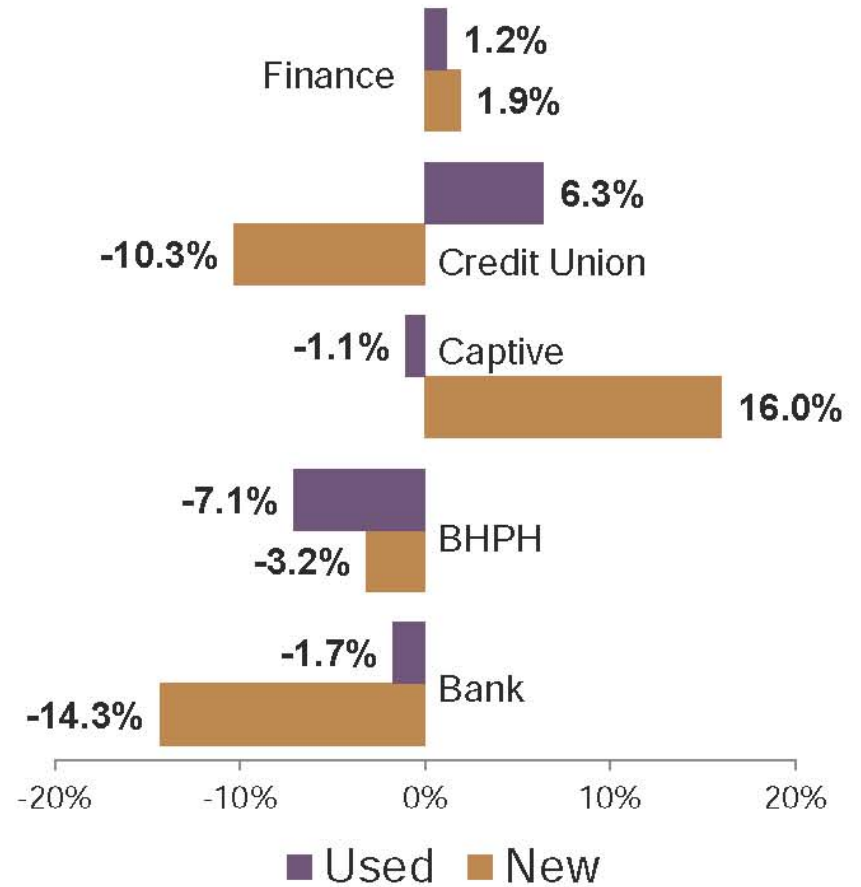


Automotive finance by lender type

Q3 2014 market share by lender type



YOY Change in market share



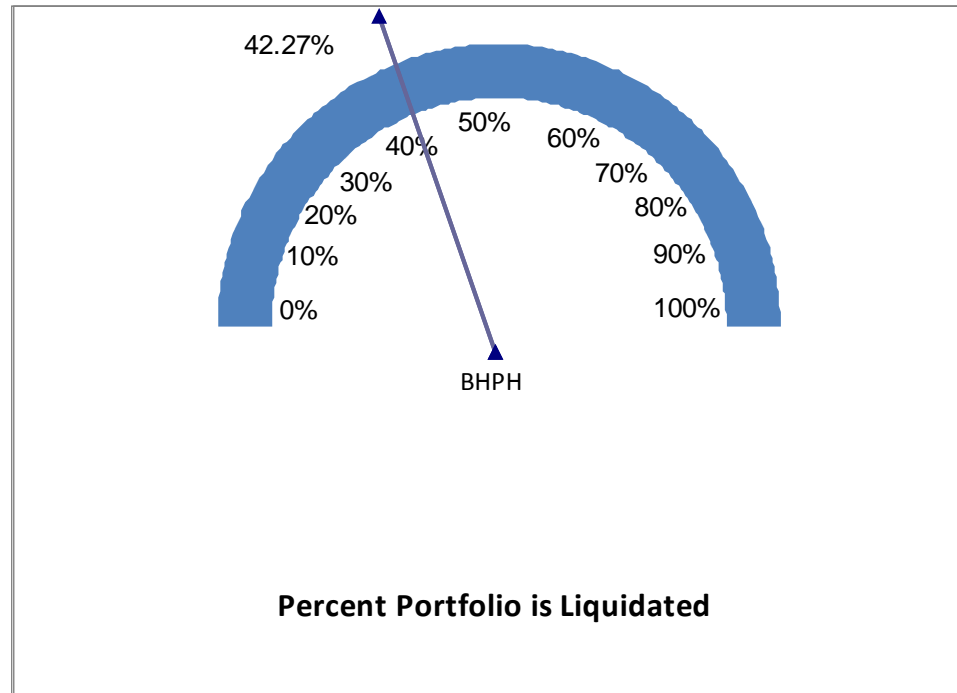
Source: Experian Automotive

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BHPH Loss Metrics compiled from approximately 1,570,000 loans with aggregate amount financed of more than \$14 billion.



Percent The Database Portfolio Is Liquidated (BHPH)



Additional Losses Are Expected As Portfolio Fully Amortizes.

BHPH Loss Statistics

	<u>2012</u>	<u>2013</u>	<u>2014 (MY)*</u>
<u>Average Dollar Losses</u>			
Average Gross Dollar Loss	\$7,737	\$8,381	\$8,435
Average Net Dollar Loss	\$5,300	\$5,410	\$5,527
Average Recovery Percent	31.50%	35.40%	34.50%

*Through August, 2014

	<u>2012</u>	<u>2013</u>	<u>2014 (MY)*</u>
<u>Average Dollar Loss Rates</u>			
Average Gross Dollar Loss Rate	38.64%	37.75%	37.62%
Average Net Dollar Loss Rate	25.95%	24.37%	24.65%

*Through August, 2014

Source: Subprime Analytics



BHPH Loss Statistics

	<u>2012</u>	<u>2013</u>	<u>2014 (MY)*</u>
Average Default Rate	31.32%	31.41%	31.17%
Highest Cumulative Default Month After Origination	20th	19th	19th
Highest Frequency of Default (Month After Origination)	5th	5th	5th
Worst Periodic Loss Month After Origination	February	February	February

*Thru August, 2014

Source: Subprime Analytics



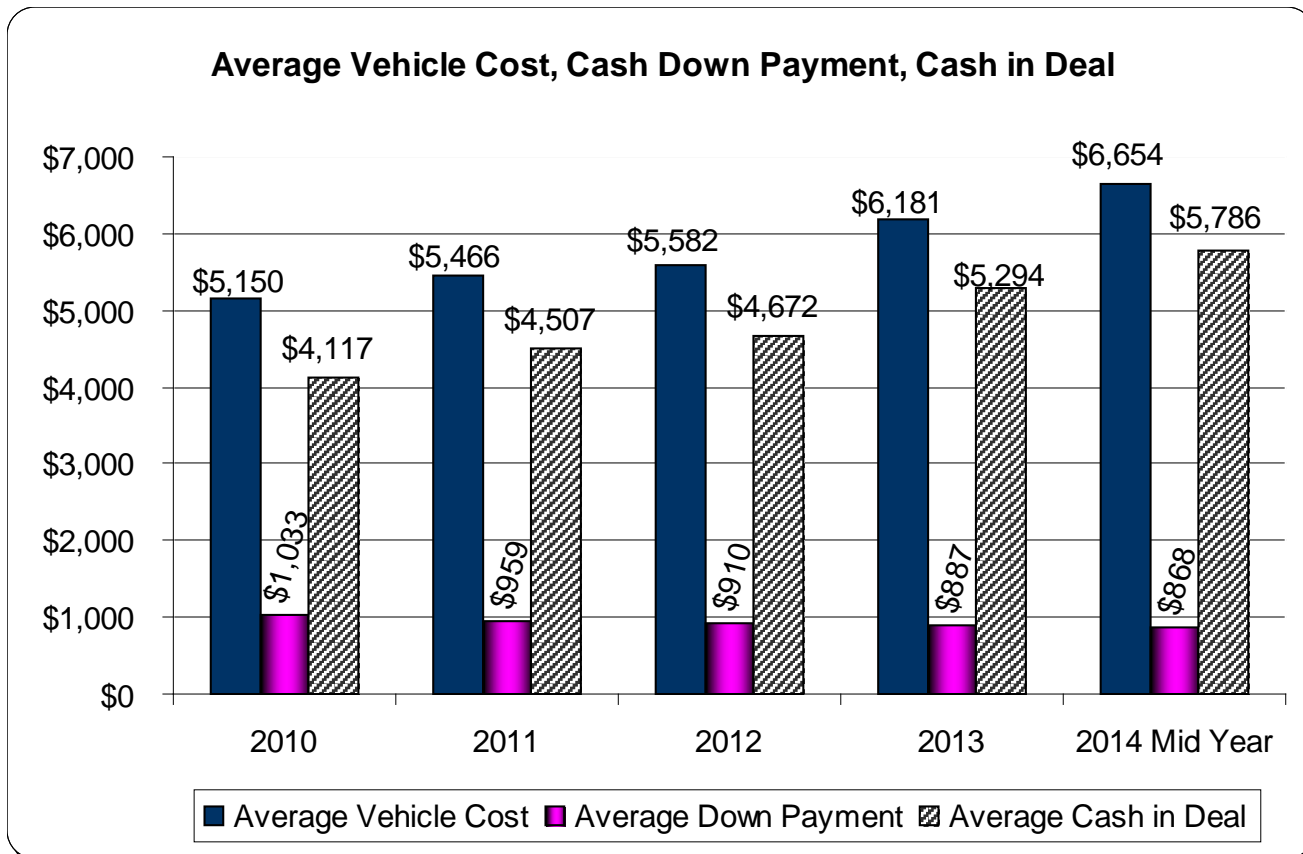
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BHPH Industry Trends
Through August, 2014



BETTER DEALS • BIGGER PROFITS

BHPH Average Vehicle Cost, Down Payment, Cash in Deal 2010 Thru August, 2014



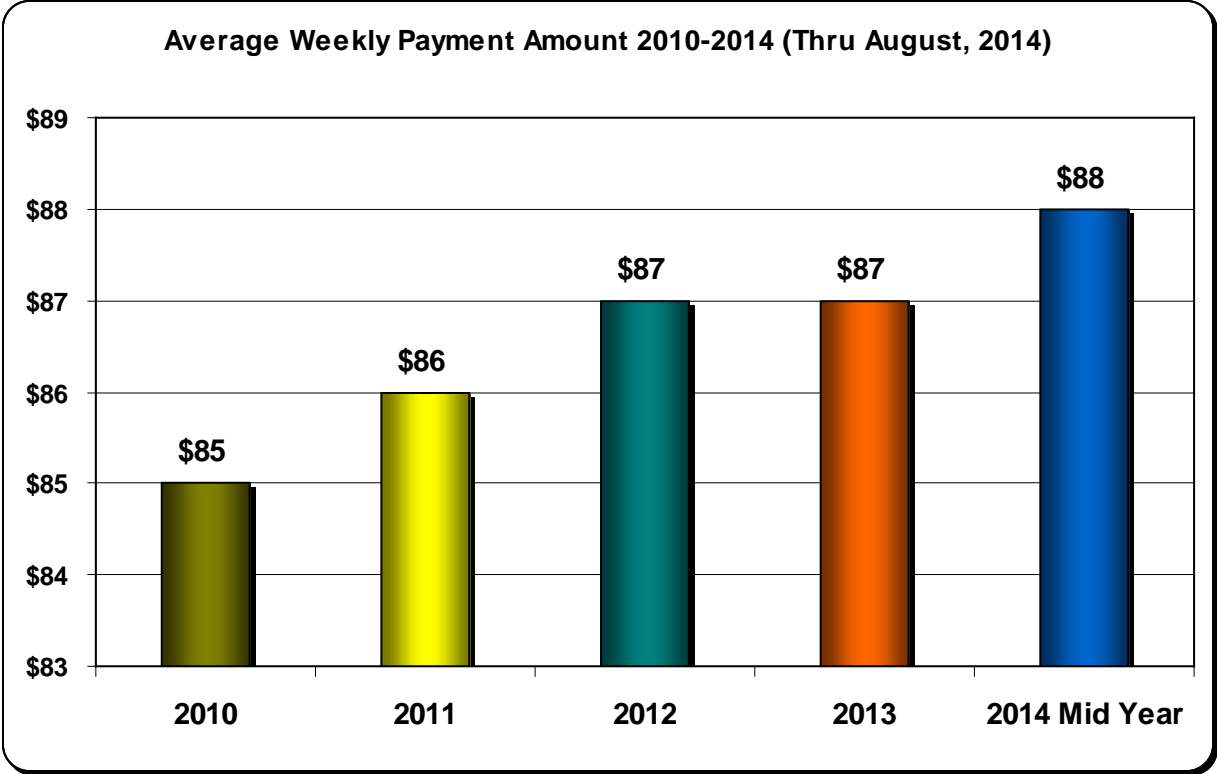
ACV +29%; DP -16%, CID +40% Since 2010

Source: Subprime Analytics



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BHPH Average Weekly Payment Amount: 2010 Thru August, 2014



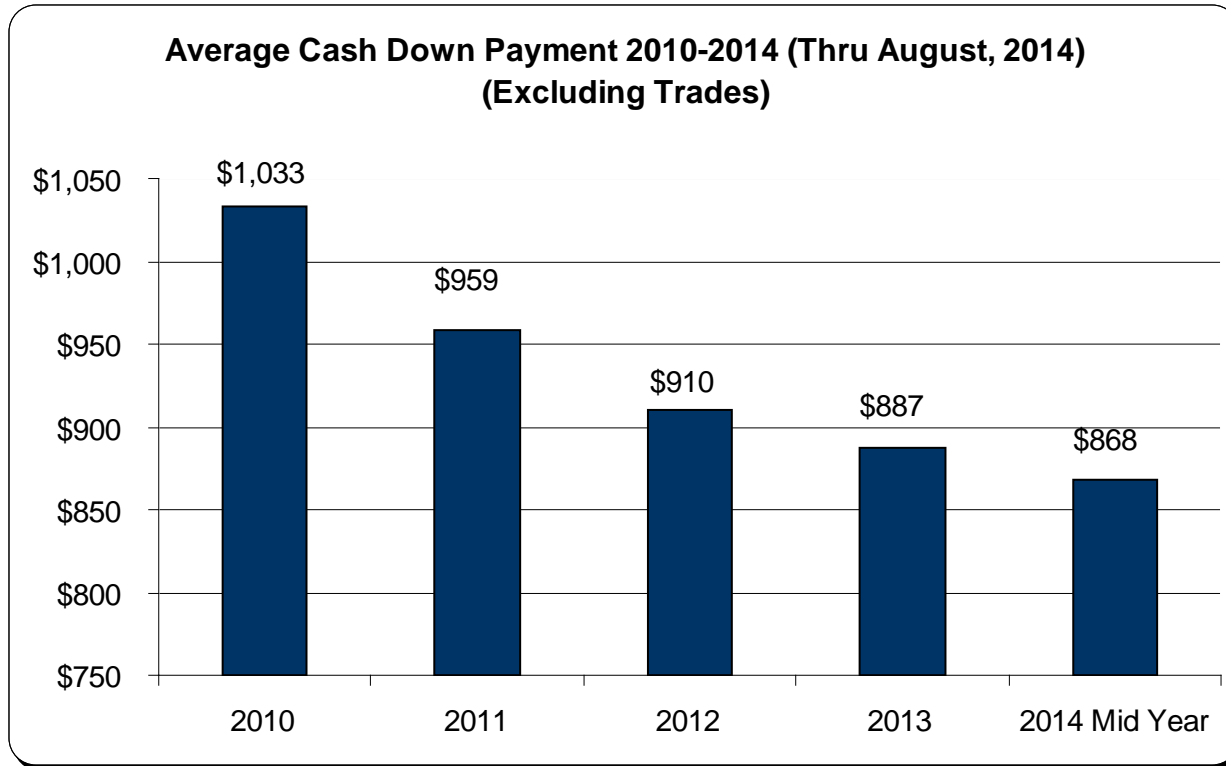
Payment Amount +3.5% Since 2010



Source: NCM, Subprime Analytics



BHPH Average Customer Down Payment: 2010 Thru August, 2014

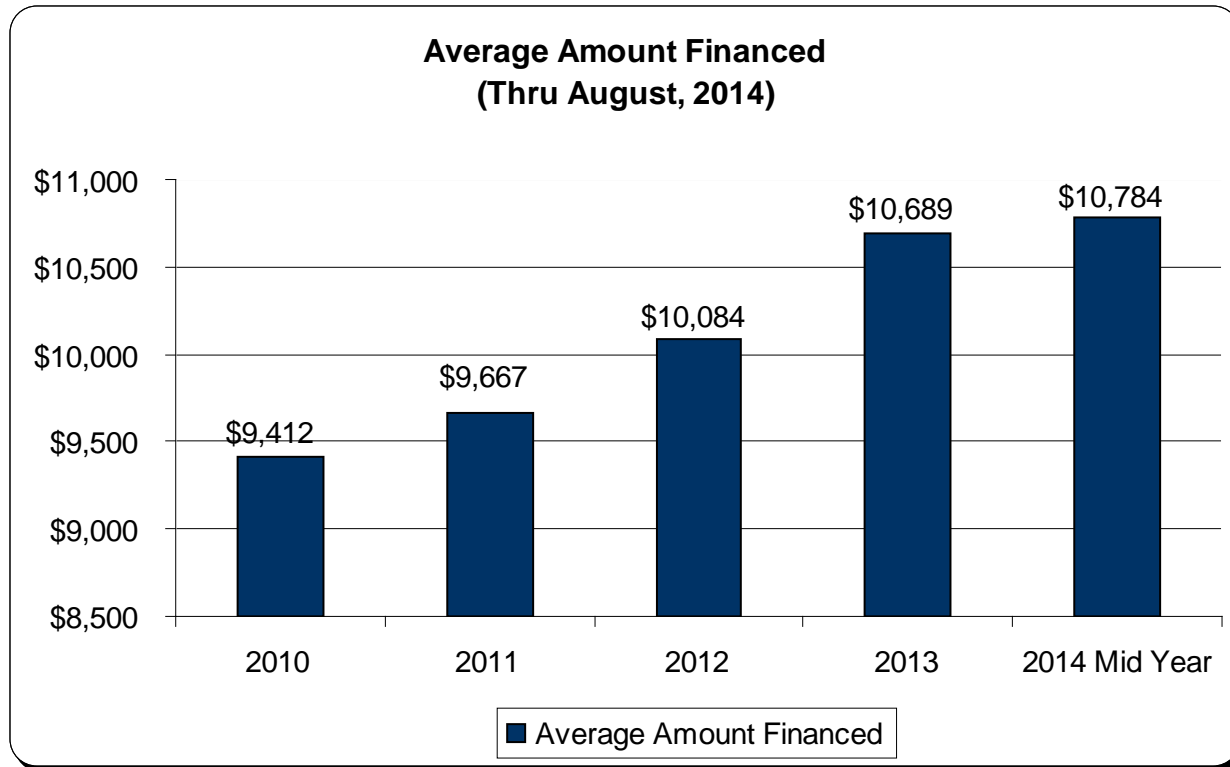


Downpayment -16% Since 2010!

Source: Subprime Analytics



BHPH Average Amount Financed: 2010 Thru August, 2014

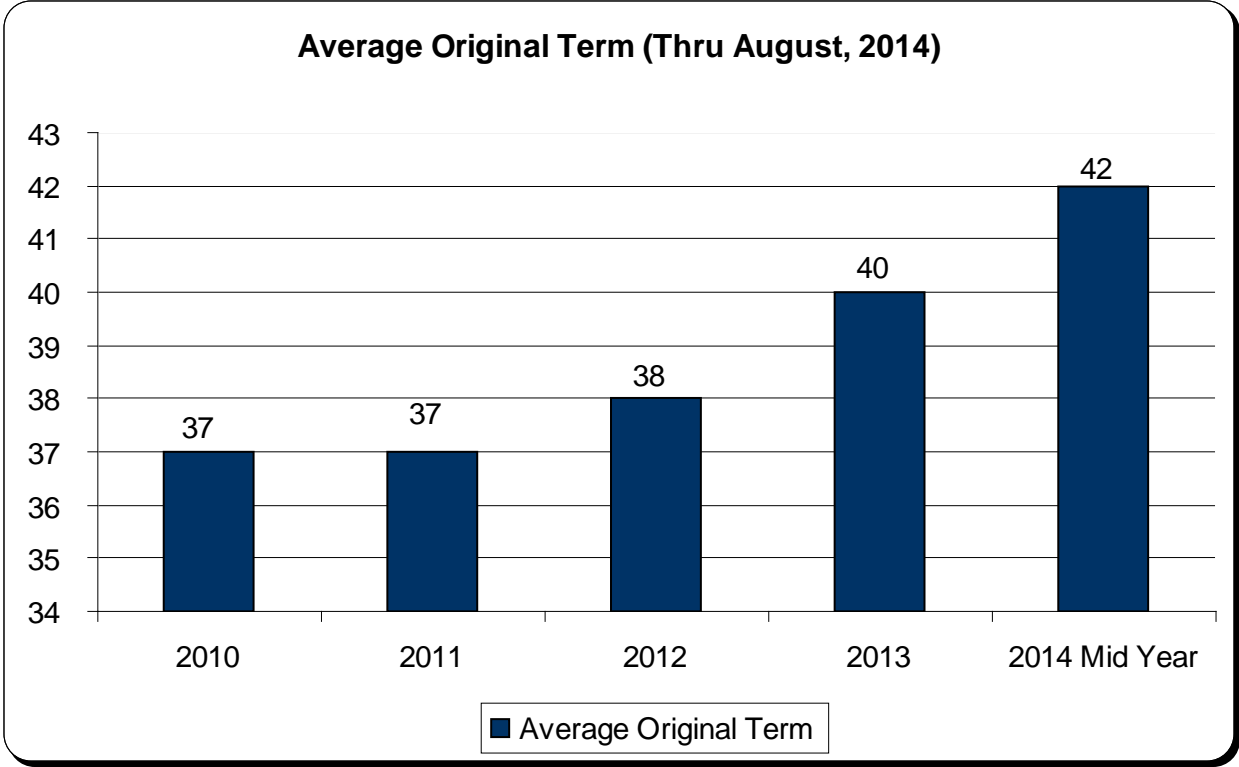


Amount Financed +14.6% Since 2010

Source: Subprime Analytics



BHPH Average Original Term (Months): 2010 Thru August, 2014



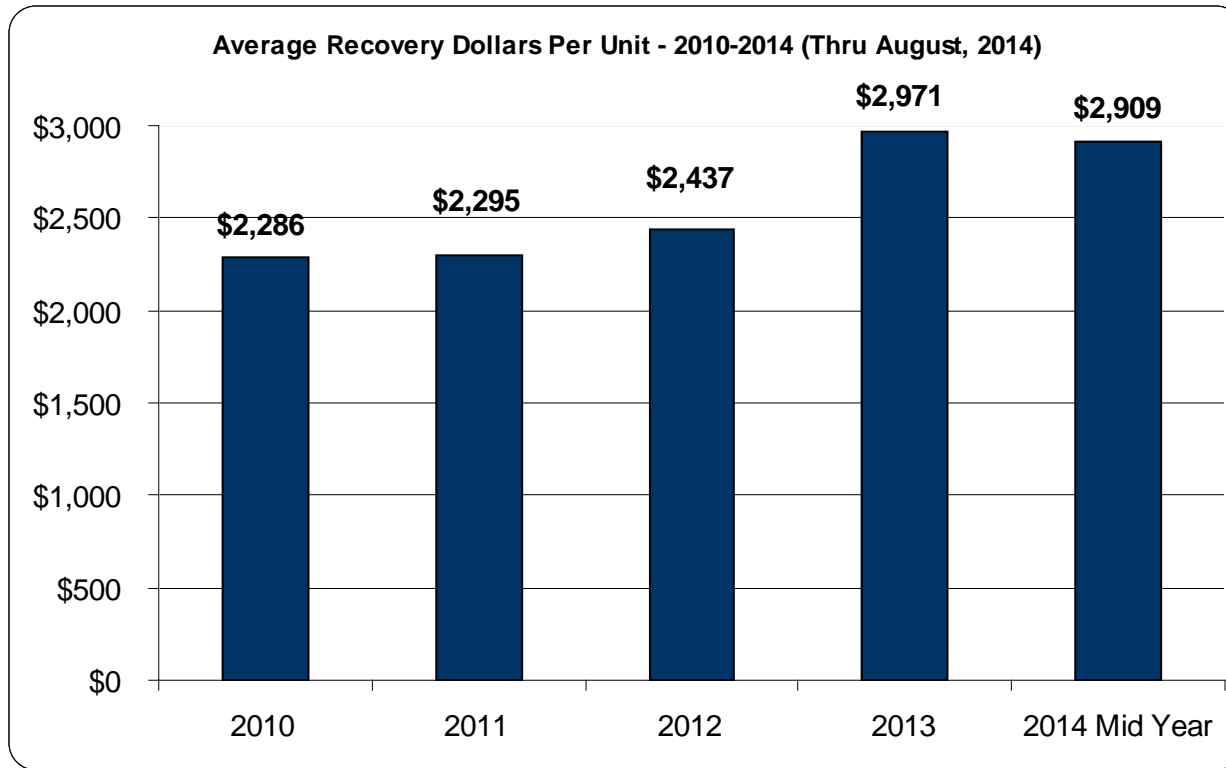
Term +13.5% Since 2010



Source: Subprime Analytics



BHPH Average Recovery Dollars Per Unit: 2010 Thru August, 2014



Recovery Dollars +27% Since 2010

Source: Subprime Analytics



What Successful Subprime Operators Do Today

Success In Buy Here Pay
Here Is Best Achieved By
“Keeping It Sold”



2014 LHPH Deep Subprime Benchmarks



Never Before Released!



BETTER DEALS • BIGGER PROFITS

Business Model Comparison: BHPH vs LHPH

	<u>BHPH</u>		<u>LHPH</u>
Selling Price	<u>\$10,426</u>	Capitalized Cost	<u>\$11,905</u>
Down Payment-Cash	<u>\$868</u>	Due at Signing-Cash	<u>\$809</u>
Average Weekly Payment	<u>\$90</u>	Average Weekly Payment	<u>\$92</u>
ACV	<u>\$6,654</u>	ACV	<u>\$5,909</u>
Cash in Deal	<u>\$5,786</u>	Cash in Deal	<u>\$5,100</u>
Average Term (Months)	<u>42</u>	Average Term (Months)	<u>39</u>
Percent Liquidated	<u>42.27%</u>	Percent Liquidated	<u>39.79%</u>
Average Mileage	<u>98,976</u>	Average Mileage	<u>108,847</u>

Source: Subprime Analytics



Comparative LPHH Loss Statistics

Average Dollar Losses

Average Gross Dollar Loss

Average Net Dollar Loss

Average Recovery Percent

* Through August, 2014.

Average Dollar Loss Rates

Average Gross Dollar Loss Rate

Average Net Dollar Loss Rate

* Thru August, 2014.

	<u>BHPH 2013</u>	<u>BHPH 2014 (MY)*</u>	<u>LPHH 2014 (MY)*</u>
Average Gross Dollar Loss	\$8,381	\$8,435	\$9,374
Average Net Dollar Loss	\$5,410	\$5,527	\$5,961
Average Recovery Percent	35.40%	34.50%	36.40%
Average Gross Dollar Loss Rate	37.75%	37.62%	48.36%
Average Net Dollar Loss Rate	24.37%	24.65%	30.75%

Source: Subprime Analytics



LHPH Loss Statistics

	<u>BHPH 2013</u>	<u>BHPH 2014 (MY)*</u>	<u>LHPH 2014 (MY)*</u>
Average Default Rate	31.41%	31.17%	24.44%
Highest Cumulative Default Month After Origination	19th	19th	14th
Highest Frequency of Default (Month After Origination)	5th	5th	4th
Worst Periodic Loss Month After Origination	February	February	June

*Thru August, 2014.

Source: Subprime Analytics



BETTER DEALS • BIGGER PROFITS

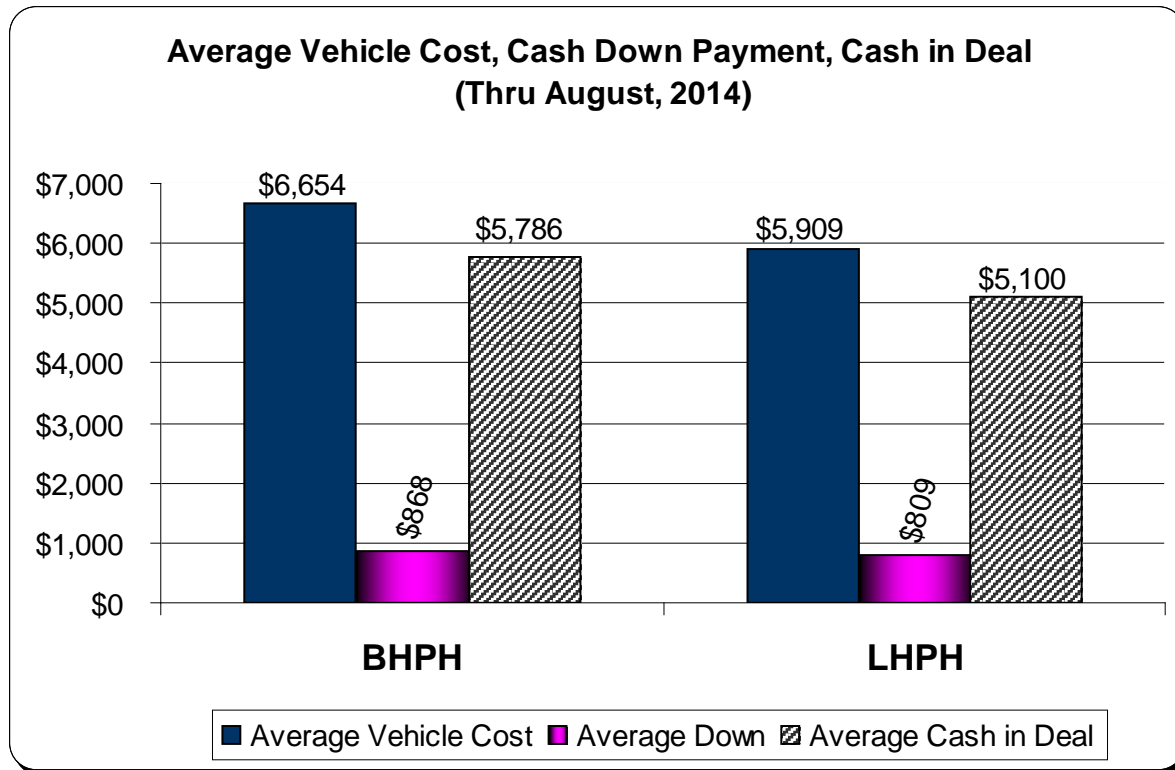
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LHPH Industry Trends
Thru August, 2014



BETTER DEALS • BIGGER PROFITS

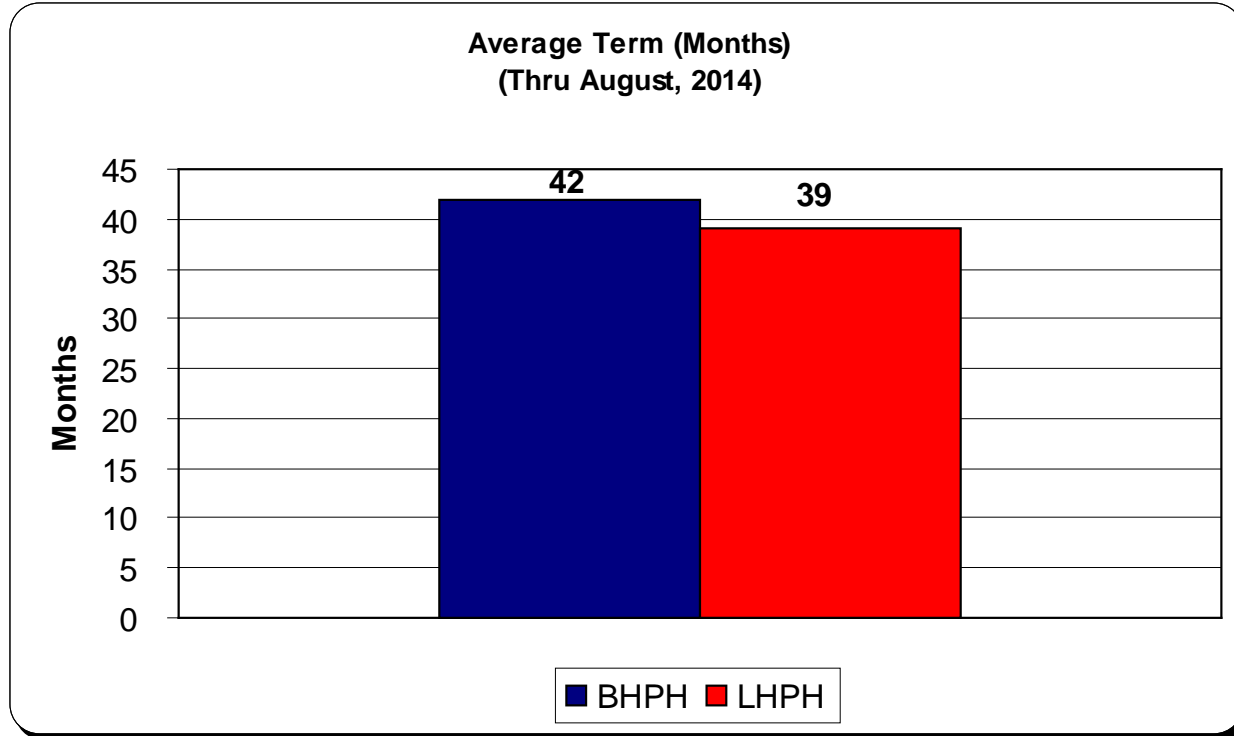
LPHH Average Vehicle Cost, Down Payment, Cash in Deal (Thru August, 2014)



Source: Subprime Analytics

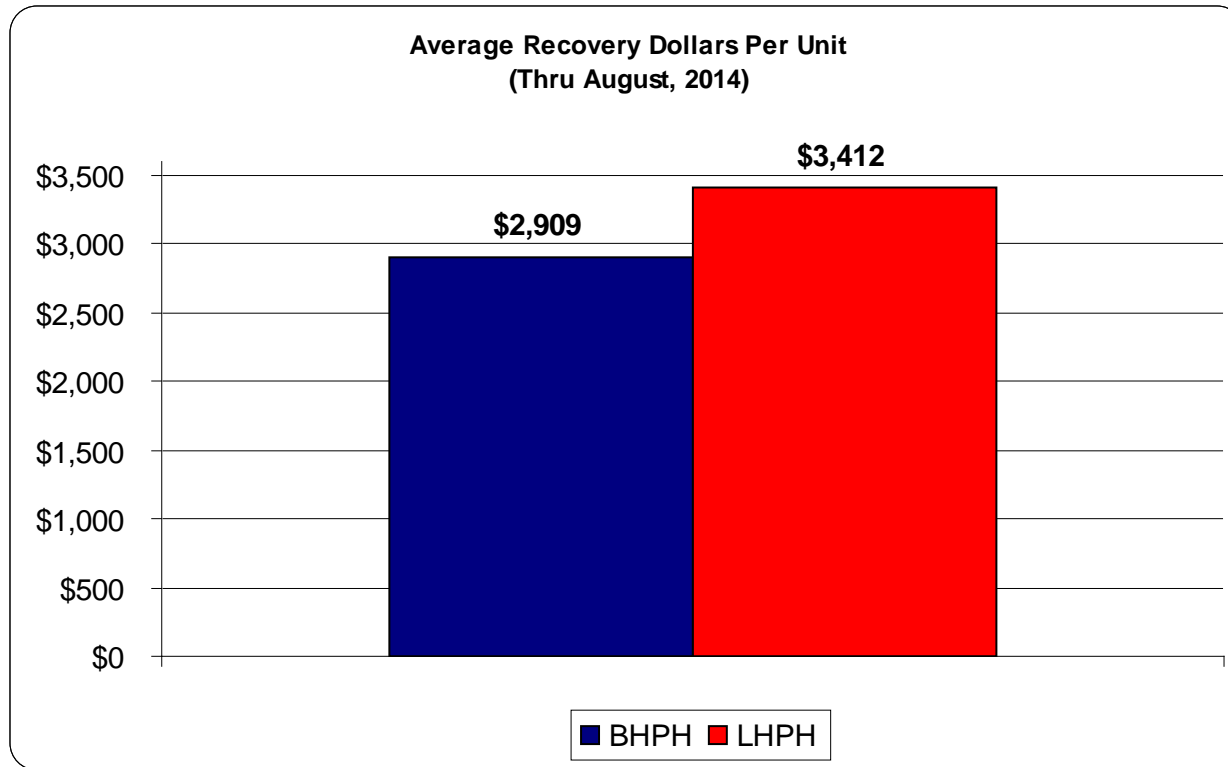


LPHH Average Term (Months): Thru August, 2014



Source: Subprime Analytics

LPHH Average Recoveries Per Unit (Thru August, 2014)



% ACV Recovered: BPHH 43.72%, LPHH 57.74%



Source: Subprime Analytics



LHPH – Pros and Cons

Benefits

- Residual can be used to adjust repayment amounts.
- Recoveries are easier in some states.
- Term of the contracts can be shorter.
- Rent income recognized slower for tax purposes.
- Additional fees can be used to increase income (excess mileage, early termination, etc.).
- Sales tax deferral in some states.
- Can be released to second customer quicker.



LHPH – Pros & Cons

Disadvantages

1. Limited capital availability to finance LHPH portfolios.
2. Must strictly adhere to Regulation M requirements.
3. Sales tax and legal advantages are not always available. Check your state laws!
4. Limited secondary market for selling contracts at this time.
5. Less interest in some cases.

Is LHPH For You?



Questions...

At this time you are welcome to ask questions on anything covered in this presentation...

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