



# Subprime Analytics

*Finding Solutions For The Sub-prime Market*

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To: Mr. John Doe  
Sample Finance Company  
Houston, Texas

## EXECUTIVE SUMMARY

### PURPOSE AND SCOPE

The purpose of this Survey was to perform an electronic analysis of your installment contracts portfolio for the period agreed in our engagement letter dated May 31, 2006. The data files used in this report are as of June 30, 2006.

The Company uses Manheim Tracker dealer management software to maintain its installment receivable portfolio. You furnished us with file extractions from your dealer management system which were used to perform our analysis. We did not audit or otherwise verify the data you supplied to us and therefore we express no opinion on its accuracy. Our work was not designed to detect errors, irregularities or illegal acts nor did we make an independent evaluation of your systems, processes or the adequacy of your internal controls. Our work was conducted on a best efforts basis.

Our analysis utilized the aforementioned data for repossessions, loan originations, amounts financed, customer payments, down payments, vehicles sold, add-on products and other information, as applicable.

### ABOUT YOUR PORTFOLIO...

Important information about your business model is summarized below.

Principal Balance Analyzed	<u>\$18,074,820</u>	Number of Accounts Analyzed	<u>2,196</u>
Average Original Term (Months)	<u>36.2</u>	Average Downpayment	<u>\$691</u>
Average Months Paid In	<u>4.9</u>	Average Markup	<u>\$6,145</u>
Average Remaining Term (Months)	<u>31.3</u>	Average Sales Price	<u>\$9,246</u>
Average Interest Rate (APR)	<u>24.5%</u>	Average Net Loss Per Fail	<u>\$3,406</u>
Average Weekly Payment	<u>\$74</u>	Average Vehicle Cost	<u>\$3,101</u>
Average Vehicle Mileage	<u>109,986</u>	Average Vehicle Year	<u>1996</u>
Return on Investment	<u>14.64%</u>		

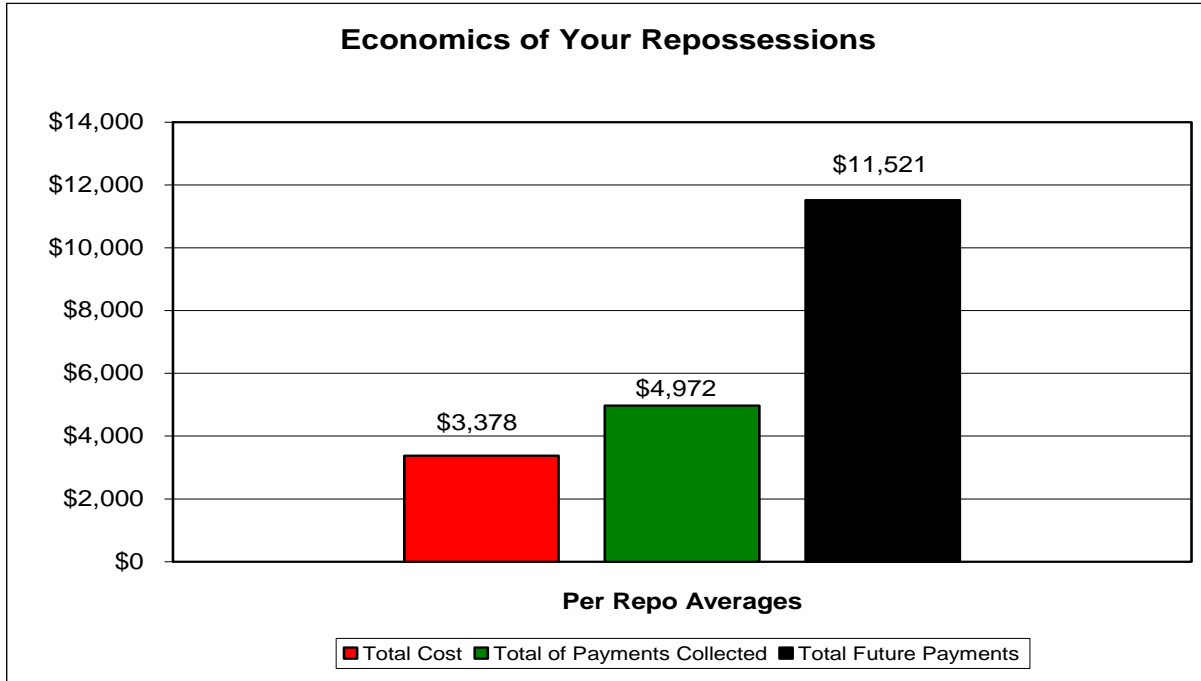
Your repossession files included 1,338 accounts with amounts financed aggregating \$8,839,496 charged off during the periods covered by our analysis.

### YOUR PORTFOLIO'S PERFORMANCE...

Loss to liquidation analysis measures the pace at which charge-off dollars occur in a portfolio when compared to the number of dollars liquidated in a pool of receivables. Static pool analysis tracks the number of losses (measured in dollars or units) compared with the original number of loans originated during a particular period. Both analyses are important indicators of portfolio performance.

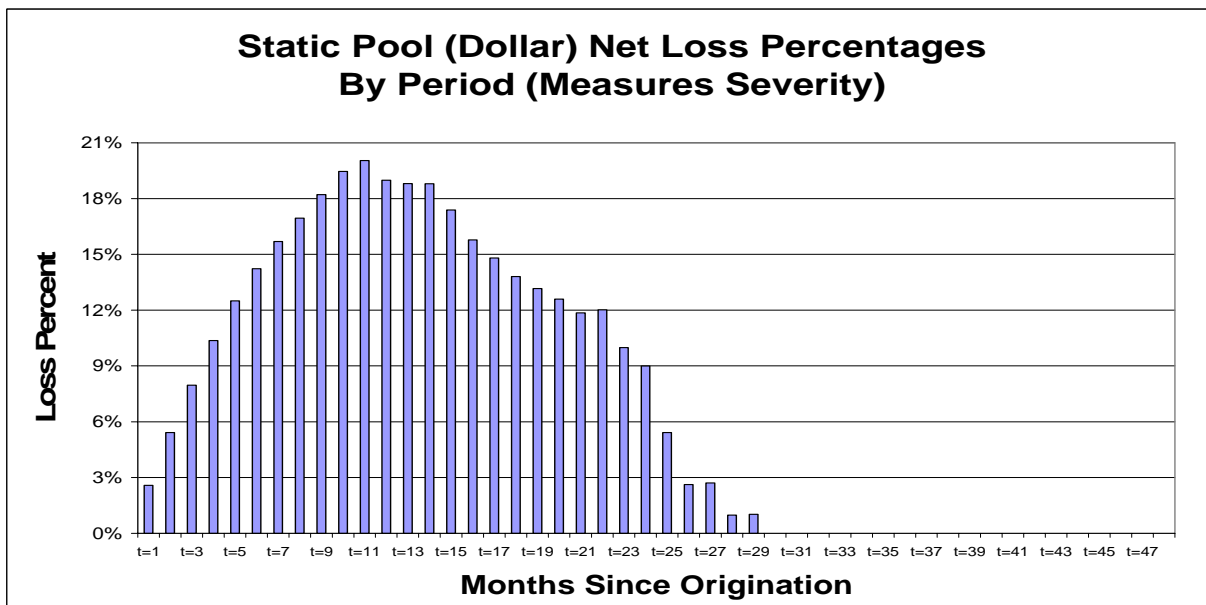
**YOUR PORTFOLIO'S PERFORMANCE... (Continued)**

The following graphs illustrate the economic cost of your repossessions. The graph below compares, for each repo, your cost in each deal and the total of all payments to be collected with the actual payments collected through the time of repossession.



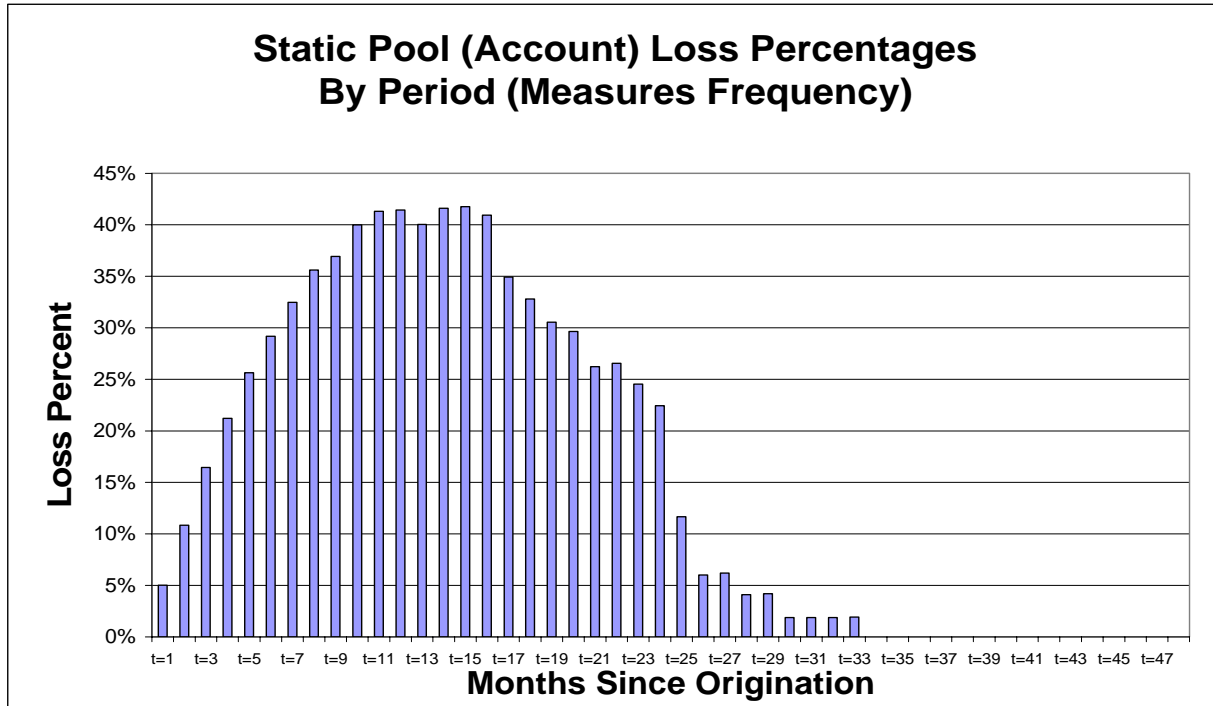
This graph provides a visual picture of how much profit, if any, that you are collecting when you have a repossession.

The graph below provides a visual analysis of the cumulative loss rates, by period, for each static pool of loans originated to date. The percentage reflected on the left axis indicates the loss rate of the individual static pool and the bottom axis shows the time, in months, since origination.



**YOUR PORTFOLIO'S PERFORMANCE... (Continued)**

This following graph displays the actual percentage of accounts that default by period, after origination. The graph reflects the frequency factor on a cumulative basis for months since origination across the horizontal header. This factor is expressed as a percentage. The percentage shown represents the number of defaults for a static pool of loans expressed as a percent of the original number of loans written.



The following table summarizes the results of our loss to liquidation and static pool loss rate analysis for the periods indicated: (Refer also to tables summarizing losses by years on pages 4a and 6a.

<u>Originated During The Year Ended</u>	<u>Rates</u>		
	<u>Loss to Liquidation</u>	<u>Static Pool</u>	<u>Projected Future Static Pool Rate</u>
<b><u>Gross Dollar Loss (Before Recoveries) Percentages</u></b>			
2006	53.61%	6.89%	55.16%
2005	79.52%	47.25%	59.50%
2004	81.41%	76.60%	76.60%
2003	77.07%	76.54%	76.54%
<b><u>Net Dollar Loss (After Recoveries) Percentages</u></b>			
2006	16.25%	2.09%	29.58%
2005	36.61%	21.75%	31.77%
2004	48.51%	45.65%	45.65%
2003	45.33%	45.01%	45.01%
<b><u>Default Rate Percentages (In Accts)</u></b>			
	<u>Percentages</u>		
2006	7.33%		
2005	55.66%		
2004	91.70%		
2003	93.84%		

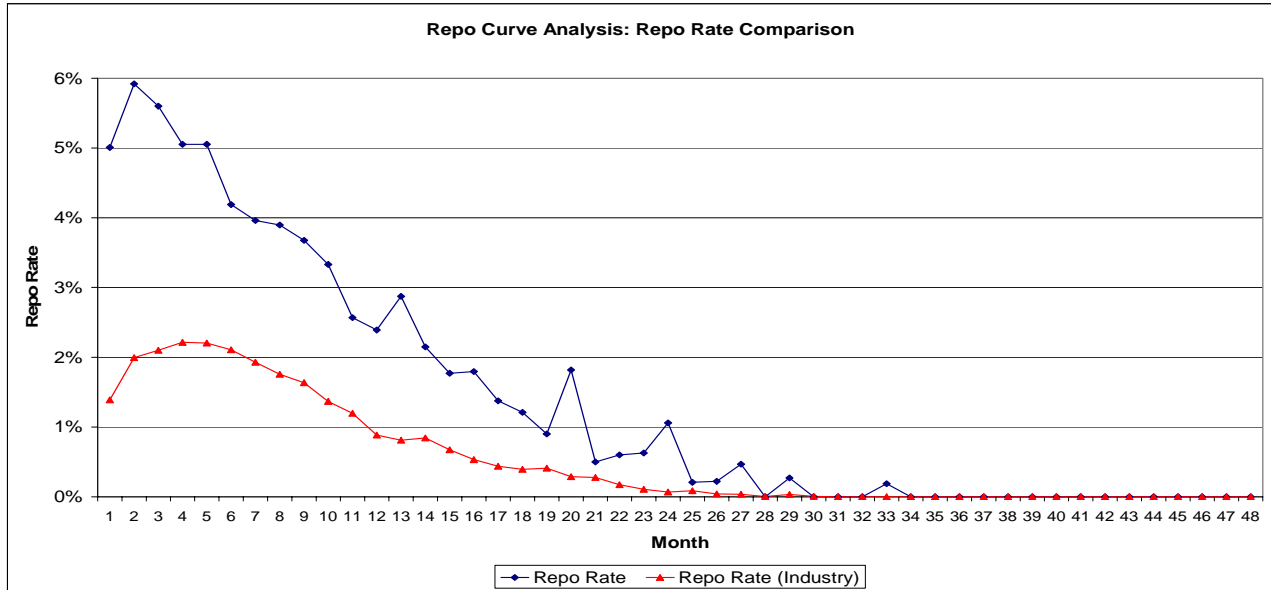
**YOUR PORTFOLIO'S PERFORMANCE... (Continued)**

Please note that many of the loans originated during some of the periods above remain outstanding and that additional future losses are probable.

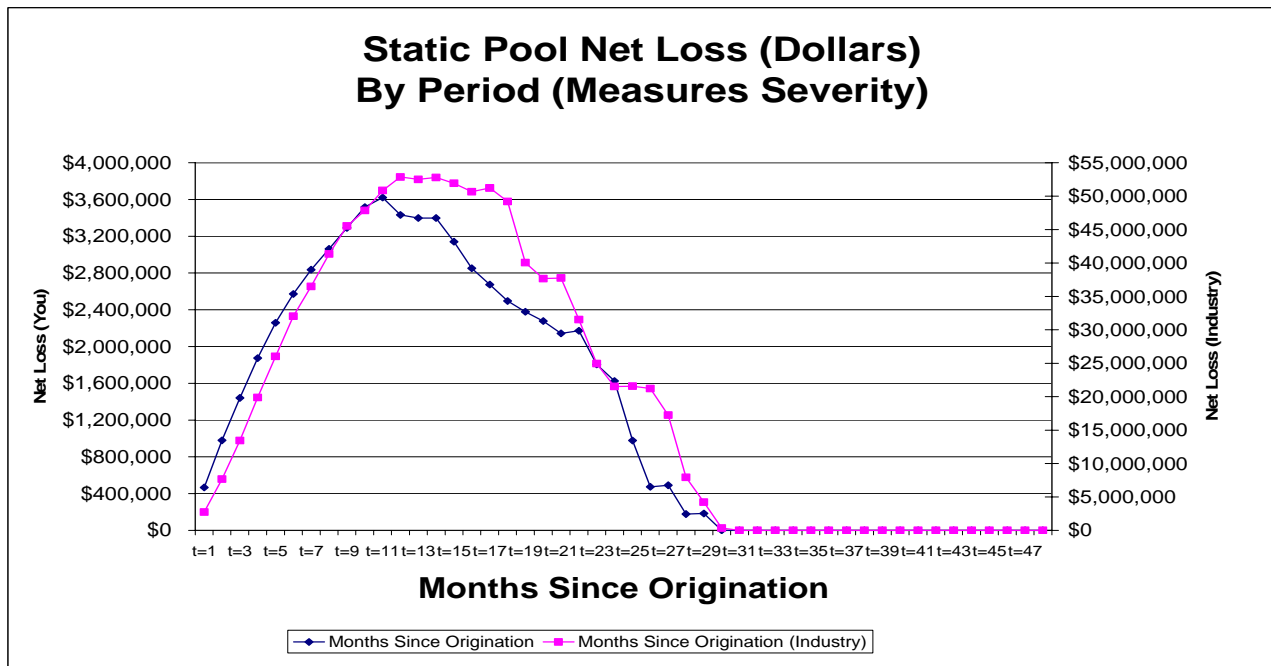
For comparison, our most recent industry loss to liquidation rate is 26.63%. For information on how your portfolio compares to the industry, see below.

**HOW YOUR PORTFOLIO COMPARES WITH THE INDUSTRY...**

The following graph indicates how your repo rate compares with our industry loss curve.

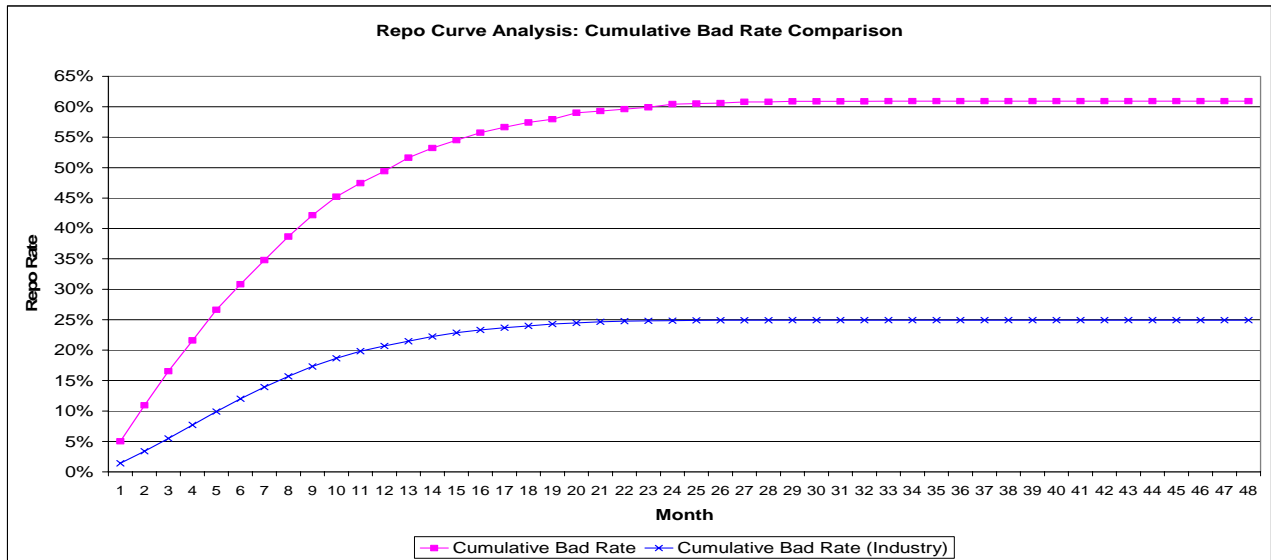


The following graph indicates how your cumulative net dollar loss curve compares with our industry curve.



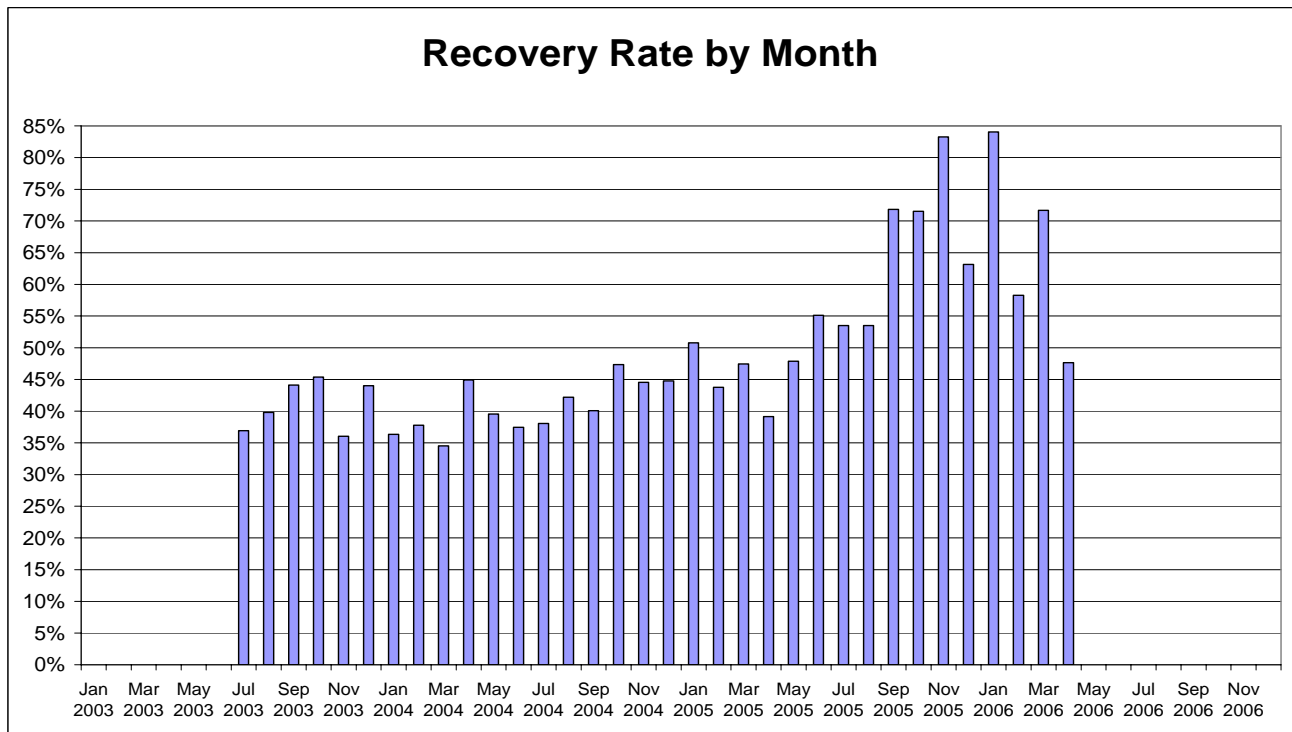
**HOW YOUR PORTFOLIO COMPARES WITH THE INDUSTRY... (Continued)**

The following graph compares your repossession rate with our industry rate. This is calculated using an analytical formula applied to each individual static pool in the report and by extrapolating a baseline or expected repossession curve. Each individual point reflected above the periods shown on the bottom axis indicates the frequency of defaults for that period. The cumulative line on the chart shows the anticipated frequency factor for any given static pool of loans on a cumulative basis for the periods reflected on the bottom axis.



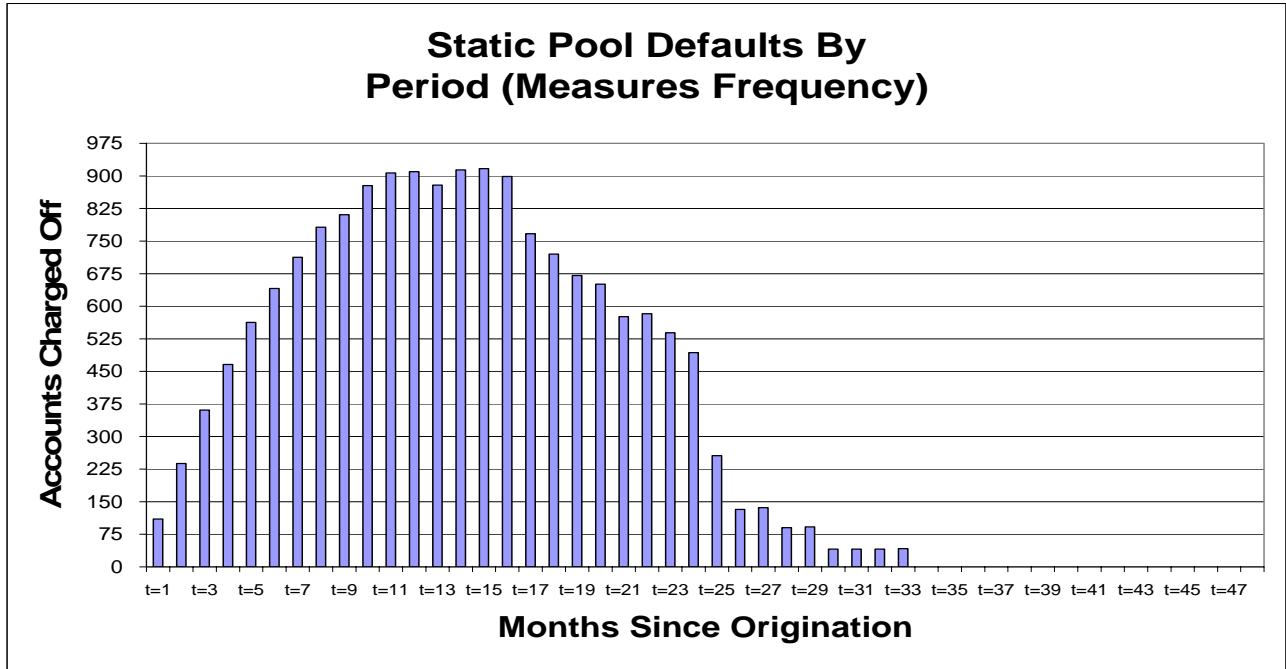
**IMPORTANT LOSS TRENDS...**

The following graph shows your recovery rate (dollar recoveries expressed as a percent of gross charge-offs) by month for the periods covered by our analysis.

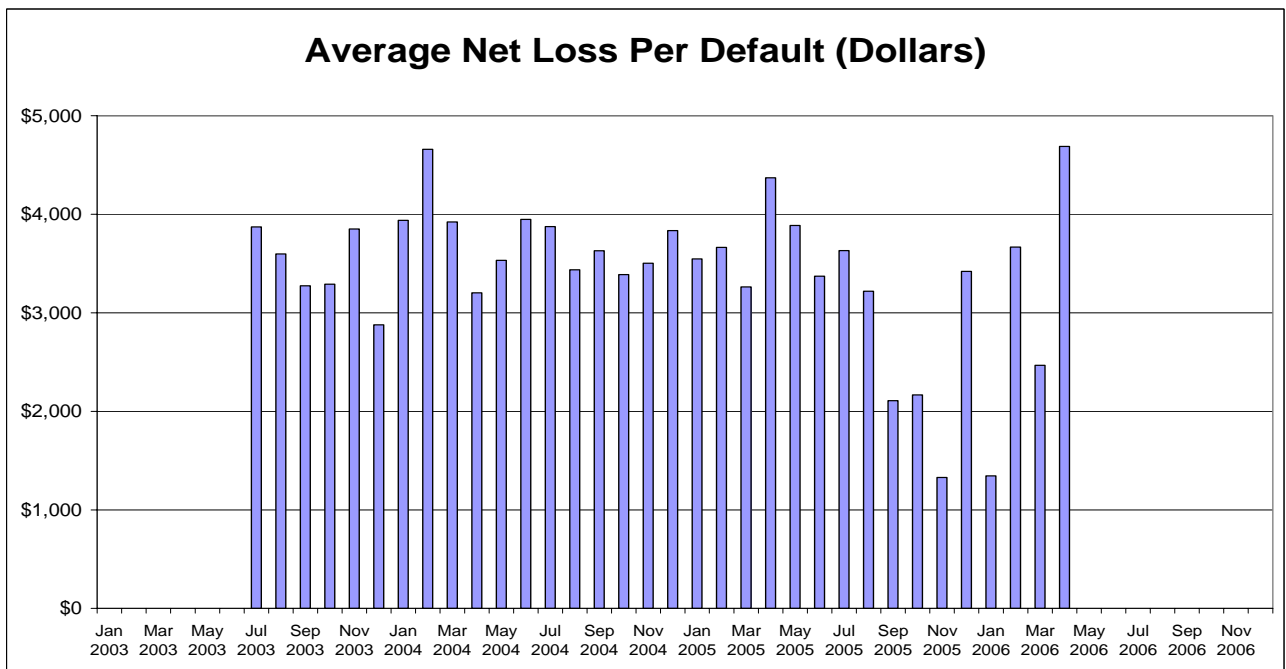


**IMPORTANT LOSS TRENDS... (Continued)**

The following graph reflects the total cumulative accounts charged-off for a pool of loans to date. The periods indicated across the horizontal header of the graph represent the number of months elapsed since the period of origination.



The following graph summarizes your average net loss per default for the months comprising our analysis. This chart provides a visual analysis of the average net amount charged-off per loan.



The average net dollar loss per repo for the periods we analyzed was calculated as \$3,406.

Mr. John Doe  
Sample Finance Company

### **ITEMS REQUIRING FURTHER INVESTIGATION...**

The three key elements of your portfolio which affect portfolio performance are: the customer, the vehicle and the deal structure.

You do not utilize on-line credit applications so we could not analyze customer information such as time on job, income, debt/income ratios, etc. In order to perform such analyses, we would need to arrange a field visit to perform a consulting review and inspection of a sampling of your credit files. Please contact us if you would like us to arrange a consulting visit.

The table at page 21 compares the deal characteristics of defaults against deals which have performed. On pages 22 – 31, we analyze the vehicles you are selling (by manufacturer and mileage) as well as the deal structure (markup, downpayment, loan term, cost, etc.). We would like to discuss each of these with you during a conference call.

You may also request additional analysis which will provide further details of information shown on these graphs.

### **SUGGESTIONS FOR IMPROVEMENT...**

At page 22 and 23 we analyzed loss deals by vehicle manufacturer and by mileage at time of origination. Approximately 46% of all deals originated included vehicles with over 100,000 miles. Approximately 6% were over 140,000 miles. Page 23 shows that vehicles with over 140,000 miles have significantly higher loss rates.

The analysis at page 13A indicates that your highest cumulative losses occur within eleven months of origination. This suggests that keeping the cars running and the customers paying during the first year after origination is key to minimizing your losses.

Page 21 of this report compares, in graphic form, your loss deal characteristics against deals that perform. The graph indicates that your loss deals generally include lower cost vehicles averaging approximately \$2,400 with smaller amounts due at signing.

Page 25 indicates that your losses are lower on deals where the amount financed is at least \$8,000. This reflects the merits of selling a higher quality vehicle to better credit quality customers.

Page 31 indicates that your losses are lower on deals where the weekly payment amount or equivalent is at least \$80. We believe this occurs because these sales involve higher quality vehicles with higher cost sold to better customers.

Markup should be limited to a maximum of 100% of vehicle cost. See page 26A.

### **FURTHER ACTION REQUIRED BY YOU**

We ask that you review the attachments carefully to determine how these results impact you. You are encouraged to confer with us in order to ascertain whether changes are required in your underwriting. We are available to discuss these results in more detail or to help you evaluate the impact of each finding on your business. In the future, we hope to include analysis of customer information (financial capacity, stability, ability to pay and credit history) in our report. We appreciate this opportunity to be of service and look forward to our telephone conference.