



# Subprime Analytics

## Finding Solutions For The Sub-prime Market

### EXECUTIVE SUMMARY

#### LOSS RATE SUMMARY...

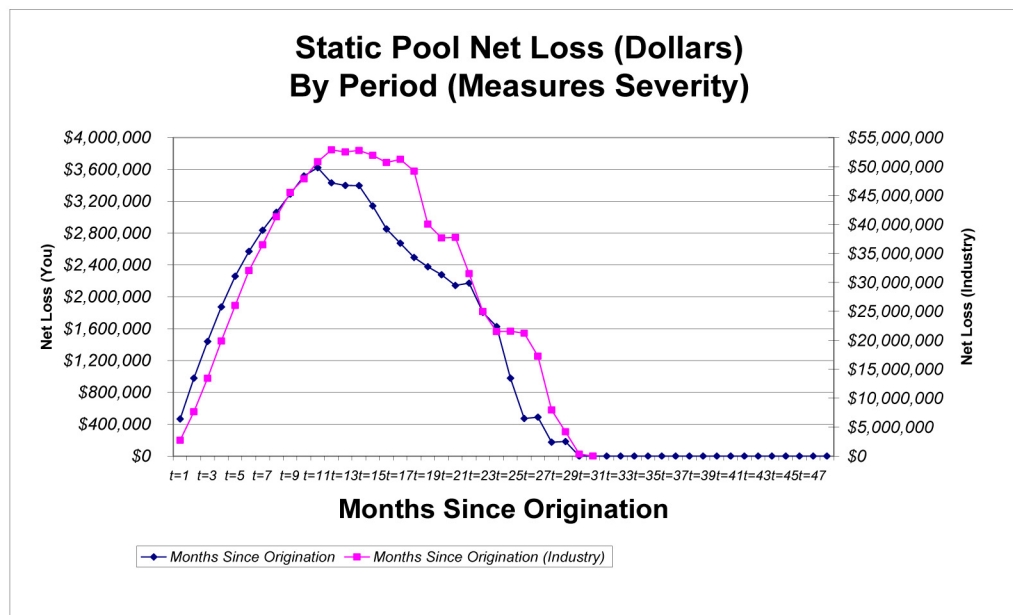
Loss to liquidation analysis measures the pace at which charge-off dollars occur in a portfolio when compared to the number of dollars liquidated in a pool of receivables. Static pool analysis tracks the number of losses (measured in dollars or units) compared with the original number of loans originated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

A summary of the loss rates compared with our most recent industry database is as follows:

	<u>You</u>	<u>Industry</u>		<u>You</u>	<u>Industry</u>
<b>Gross Loss to</b>			<b>Net Loss to</b>		
<b>Liquidation Rate</b>	<u>40.07%</u>	<u>38.61%</u>	<b>Liquidation Rate</b>	<u>24.82%</u>	<u>26.38%</u>
<b>Gross Static Pool Rate*</b>	<u>26.01%</u>	<u>20.78%</u>	<b>Net Static Pool Rate*</b>	<u>16.11%</u>	<u>20.01%</u>
<b>Default Rate</b>	<u>36.07%</u>	<u>31.03%</u>			

\* on substantially completed pools.

The following graph shows your loss curve compared to the industry loss curve.



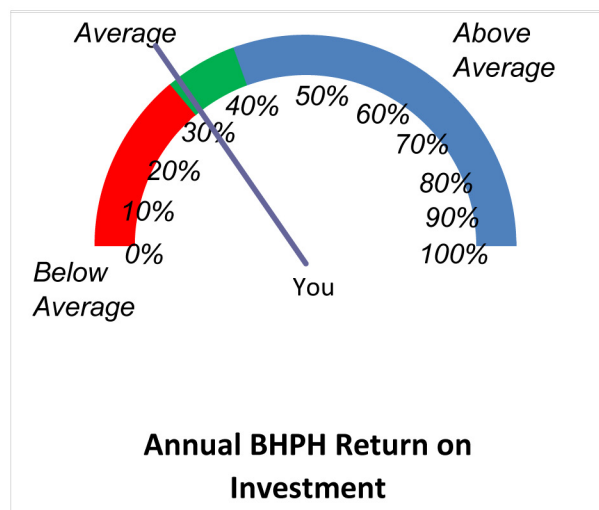
#### ABOUT YOUR BUSINESS MODEL...

Important information about your business model is summarized below.

	<u>You</u>	<u>Industry</u>		<u>You</u>	<u>Industry</u>
<b>Principal Balance Analyzed</b>	<u>\$18,074,820</u>		<b>Number of Accounts Analyzed</b>	<u>2,196</u>	
<b>Average Original Term(Months)</b>	<u>36.20</u>	<u>37.39</u>	<b>Average Downpayment</b>	<u>\$691</u>	<u>\$959</u>
<b>Average Months Paid In</b>	<u>4.90</u>	<u>21.88</u>	<b>Average Markup</b>	<u>\$6,145</u>	<u>\$5,192</u>
<b>Average Remaining Term(Months)</b>	<u>31.30</u>	<u>15.51</u>	<b>Average Sales Price</b>	<u>\$9,246</u>	<u>\$9,879</u>
<b>Average Interest Rate (APR)</b>	<u>24.5%</u>	<u>21.5%</u>	<b>Average Net Loss Per Default</b>	<u>\$3,406</u>	<u>\$4,950</u>
<b>Average Weekly Payment</b>	<u>\$74</u>	<u>\$87</u>	<b>Average Vehicle Cost</b>	<u>\$3,101</u>	<u>\$5,466</u>
<b>Average Vehicle Mileage</b>	<u>109,986</u>	<u>108,000</u>	<b>Average Vehicle Year</b>	<u>1996</u>	

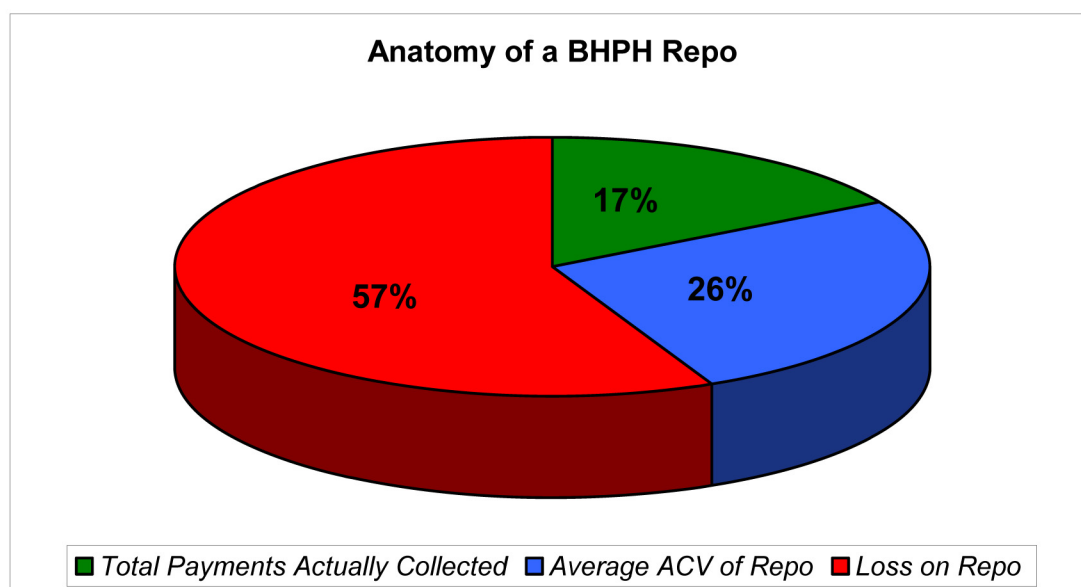
## RETURN ON INVESTMENT...

The expected **return on your portfolio investment on an annual basis** is estimated to be approximately **33% (86% over the life of the contracts)** based upon the projected portfolio cash flow net of anticipated future losses. The industry annualized ROI is summarized below.



Range	Range	Average Percent	
Below Average	< 30%	22.92%	Industry Median <u><u>30.79%</u></u>
Average	30% to 40%	35.11%	
Above Average	> 40%	50.71%	

The estimated return on investment calculation is before consideration of collection costs, operating expenses and interest expense. Please note that this estimate is based entirely upon your historical performance. Future changes in your business model or in your underwriting or in the national or local economy will cause your actual returns to differ from our estimate.



## **OUR FINDINGS...**

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

The table at page 60 compares the deal characteristics of defaults against deals which have performed. On pages 61 - 72, 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.

## **ABOUT THE VEHICLES YOU SELL...**

Your five best performing vehicles appear to be Cadillac, Lincoln, Nissan, Saturn and Toyota. Your five worst performing vehicles appear to be Chrysler, Ford, Kia, Mercury and Plymouth. See page 61 of the analysis for loss rates on all vehicles sold.

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

At page 61 and 62 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 62 shows that vehicles with over 140,000 miles have significantly higher loss rates.

The analysis at page 41 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 60 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 downpayments to a lower credit quality customer.

Page 64 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 72 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.

Based upon our analysis, markup should be limited to a maximum of 100% of vehicle cost.