



## Annual Conference

September 30, 2010

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# Overview

## Macro Economy

General

Government  
Debt

Jobs



## Auto Lending Industry

Credit  
Performance

Credit Markets

Industry  
Consolidation



## Recovery and Remarketing Segment

Market Projection

Forces Driving Competition

# Macro Economy

Positive

Negative

Oil Prices

Government  
Debt/Deficits

Productivity

Unemployment

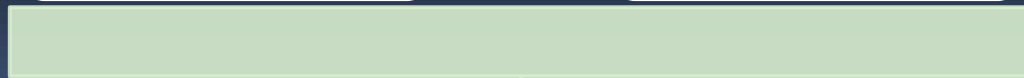
Corporate Balance  
Sheets/Earnings

GDP

Consumer Debt and  
Savings

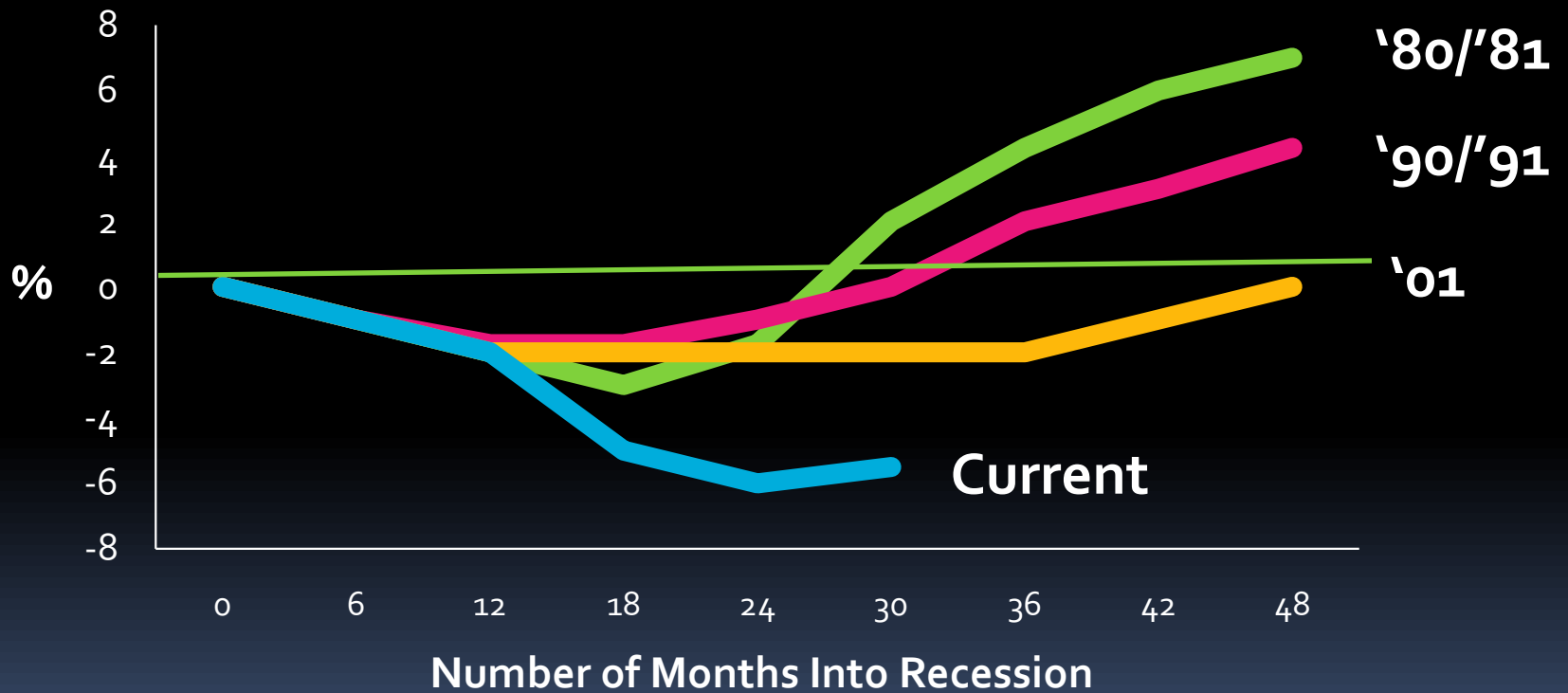
Housing Prices

Mixed  
Economic  
Signals



# Macro Economy

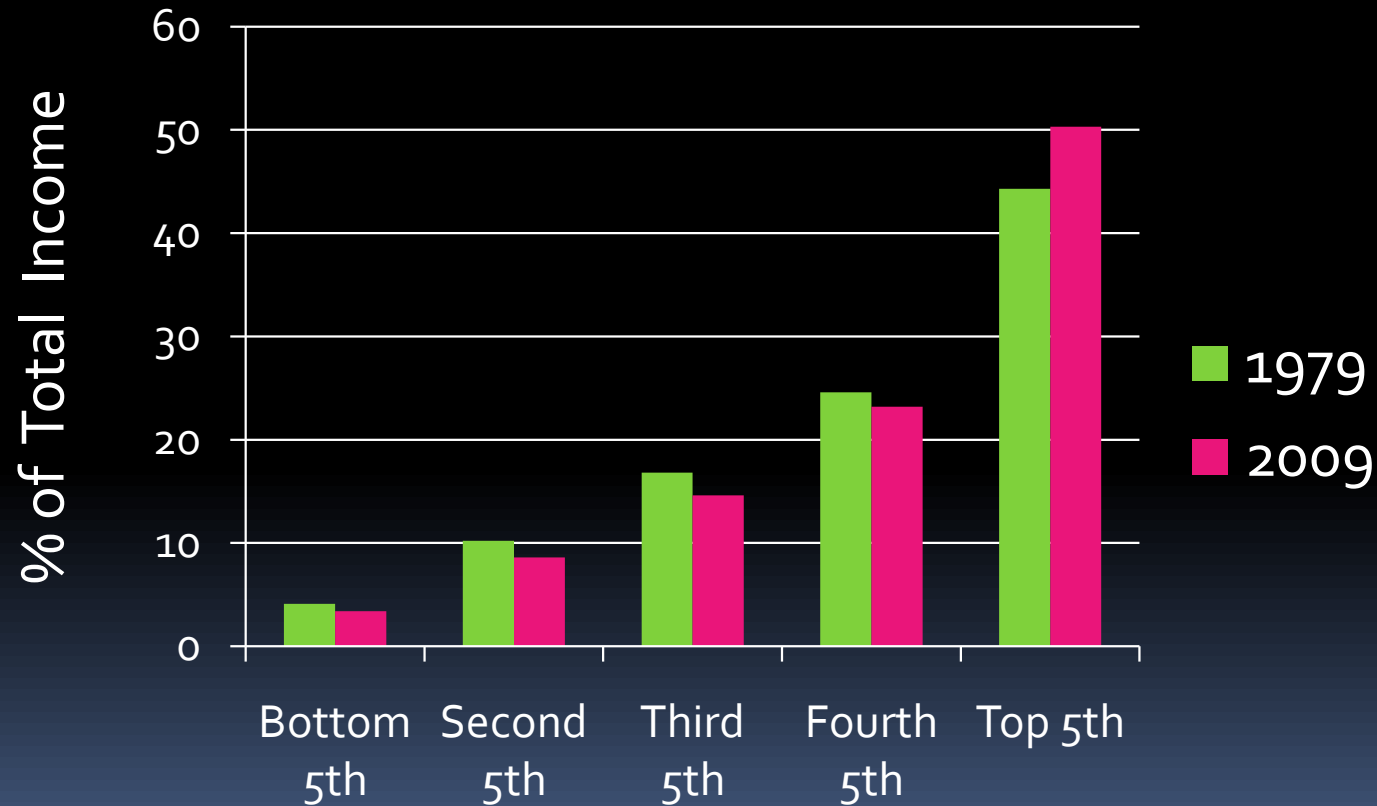
## Cumulative Change In Employment From Start Of Recession



Sources: Labor Department, Commerce Department, NBER, Wall Street Journal

# Macro Economy

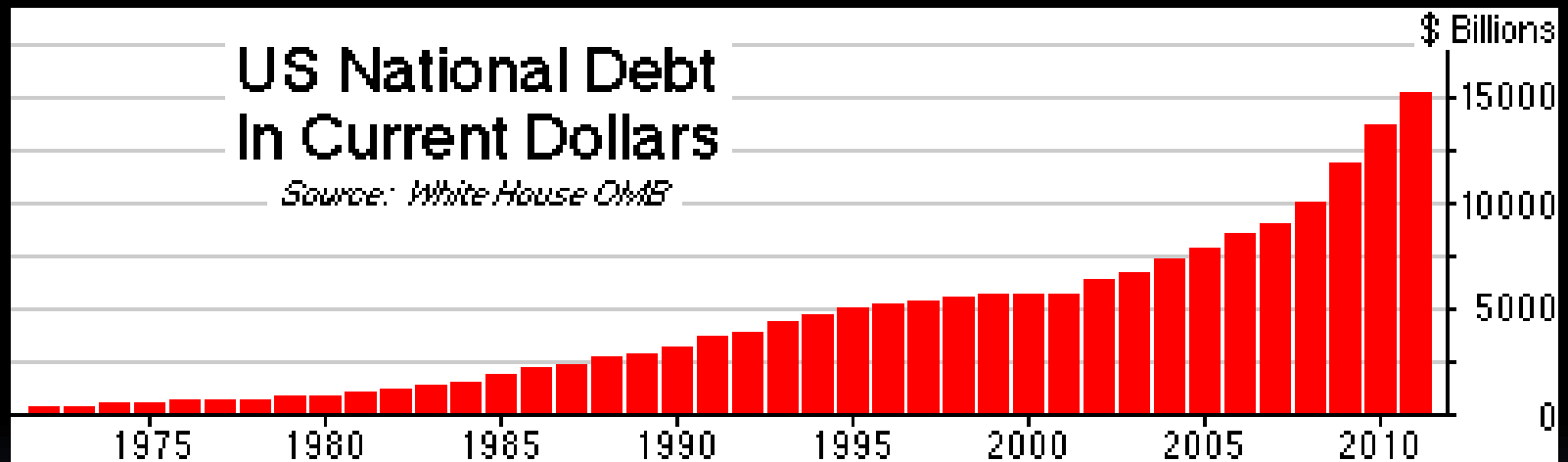
## Widening Income Disparities



Source: US Census

# Macro Economy

## Government Debt



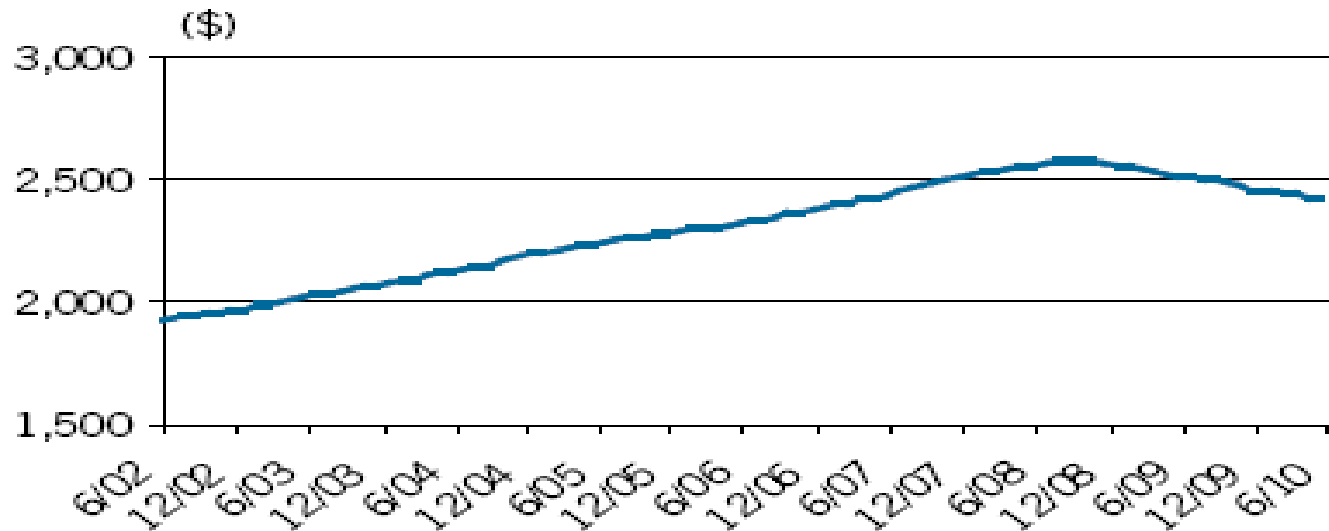
**>\$15 Trillion by 2011**

Source: White House OMB

# Auto Lending Industry

## Credit Performance

### U.S. Consumer Credit

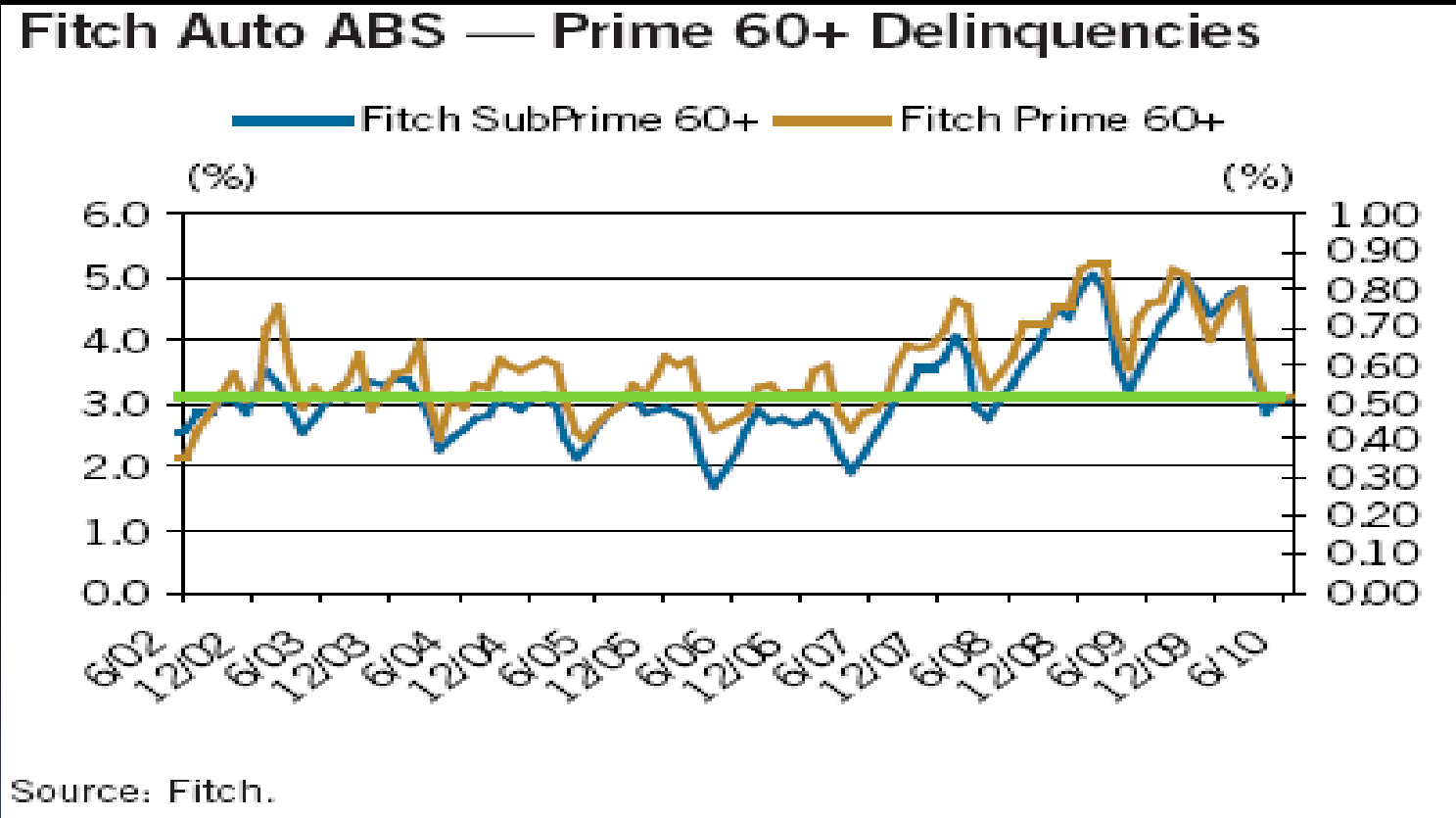


Source: Federal Reserve.

Consumers Have Begun Paying Down Debt....

# Auto Lending Industry

## Credit Performance



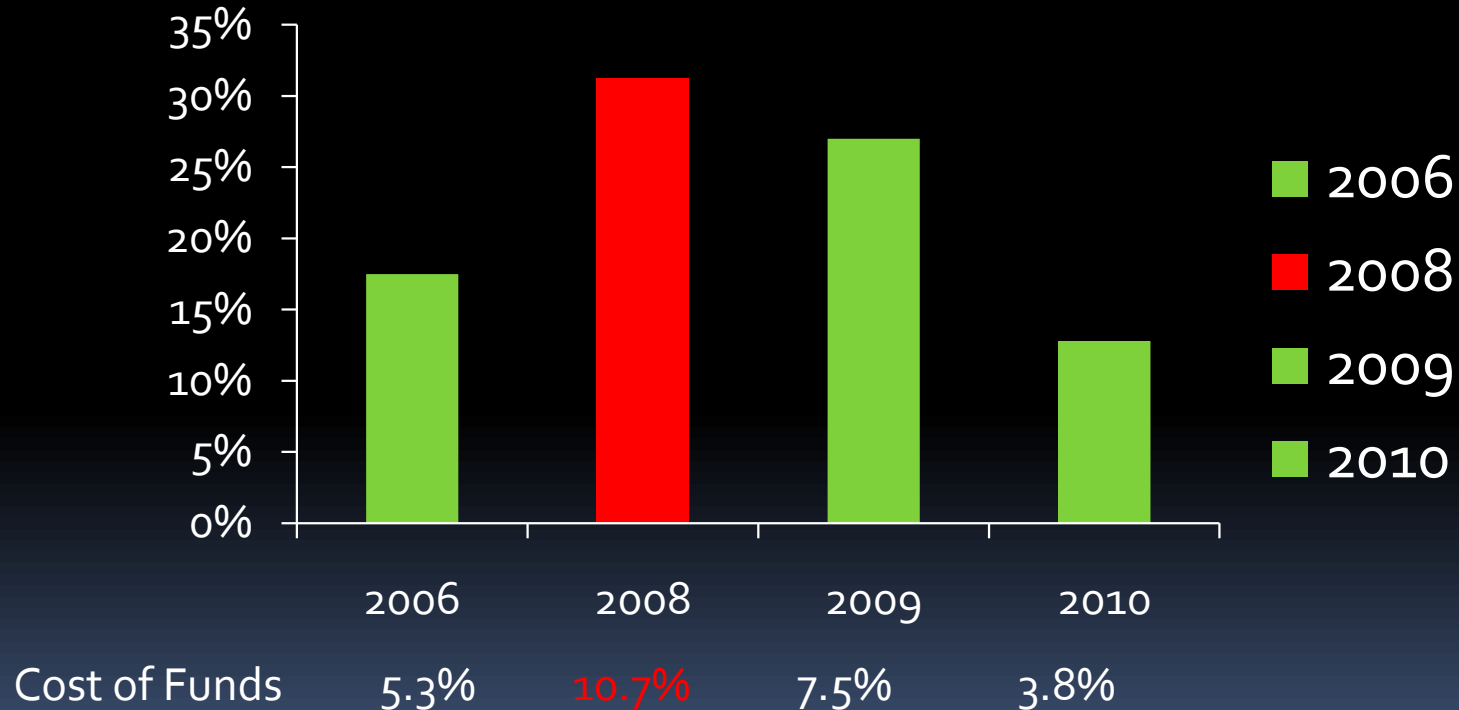
Auto Loan Delinquency Has Improved....



# Auto Lending Industry

## Example Of A Large Non-Prime Issuer

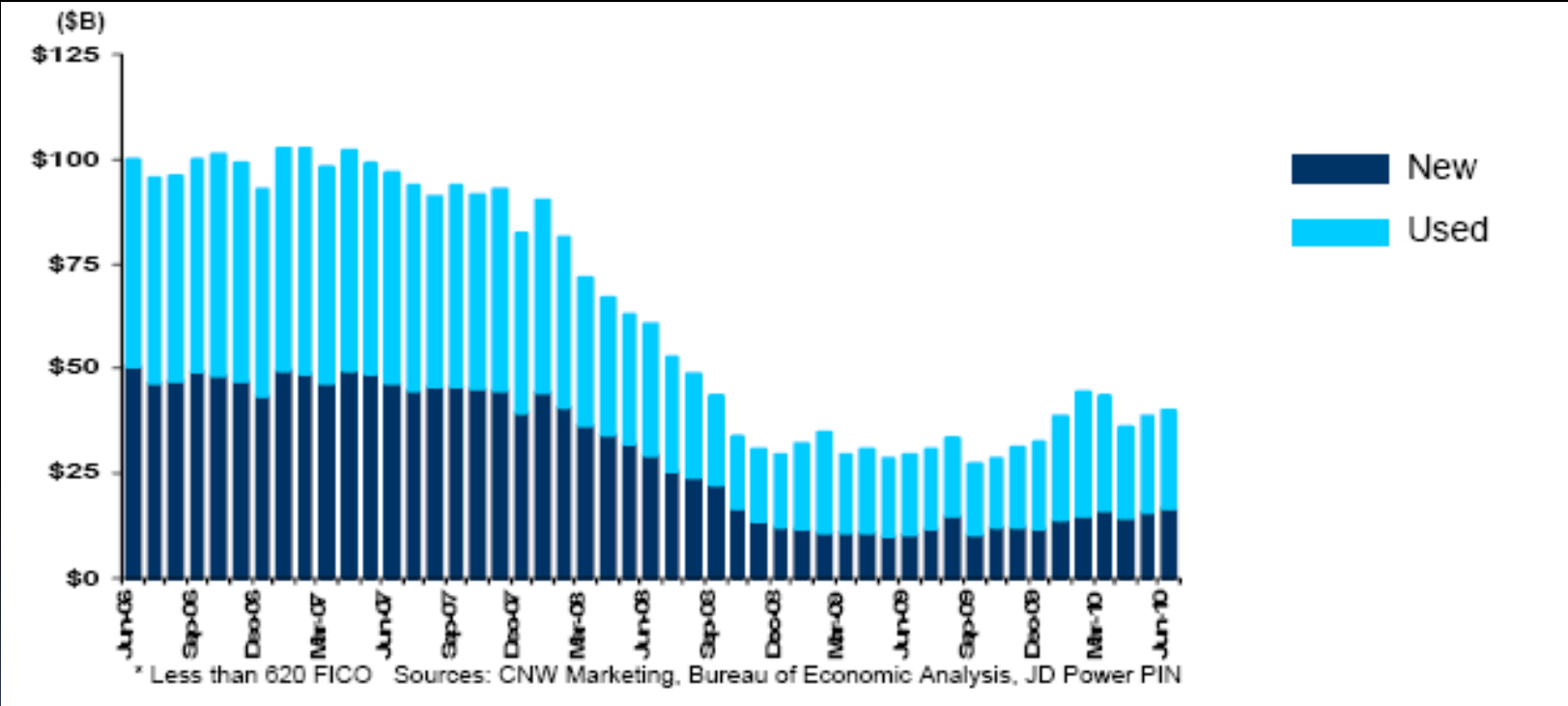
### Equity Requirement



Credit markets have improved, but underwriting is still very tight

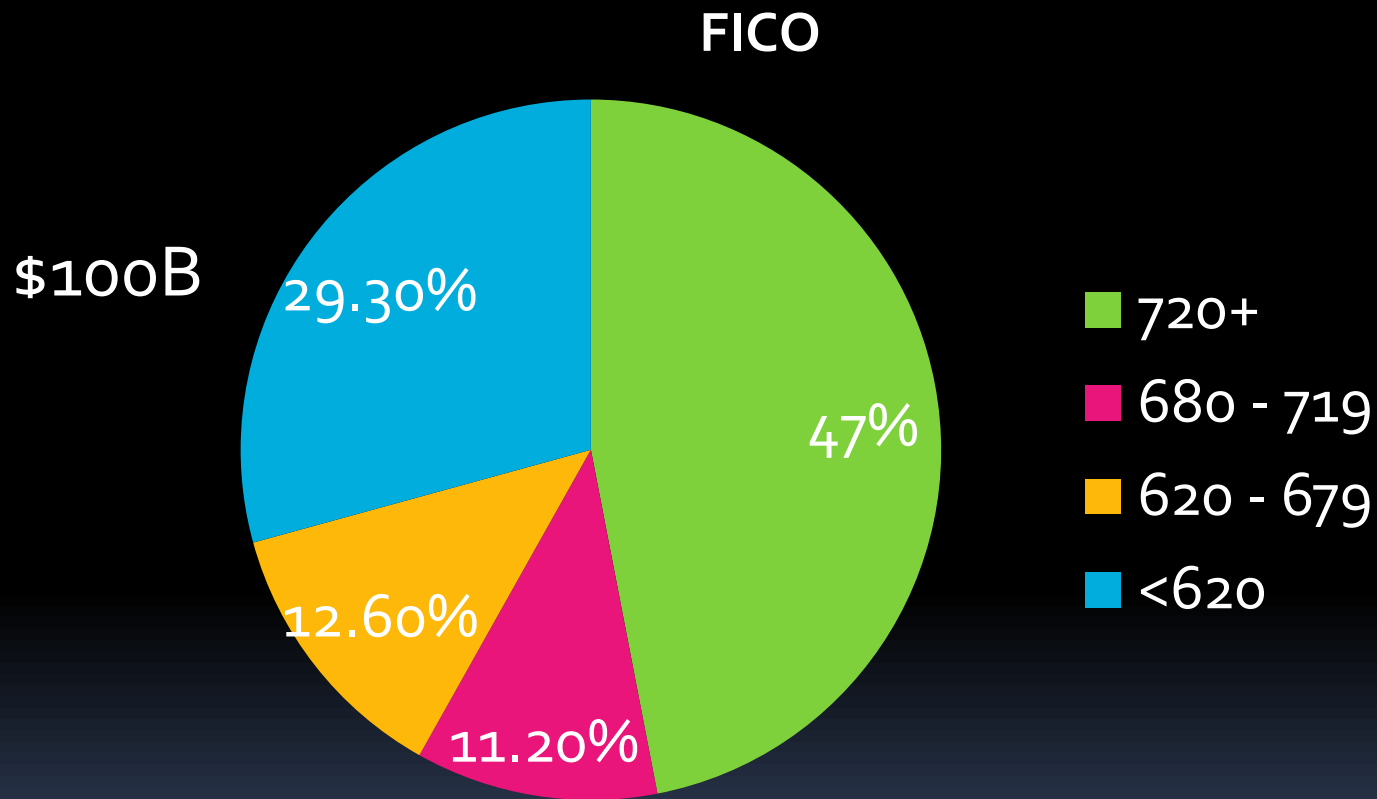
# Auto Lending Industry

## Subprime Auto Finance Market <620 FICO



Source: AmeriCredit

# Auto Lending Industry



# Auto Lending Industry

## Industry Consolidation

- ✓ Funding efficiency/stability
- ✓ More rational pricing

Wells Fargo  
Wachovia

Santander  
Triad  
HSBC  
Citi

GM  
AmeriCredit

# Recovery and Remarketing Segment

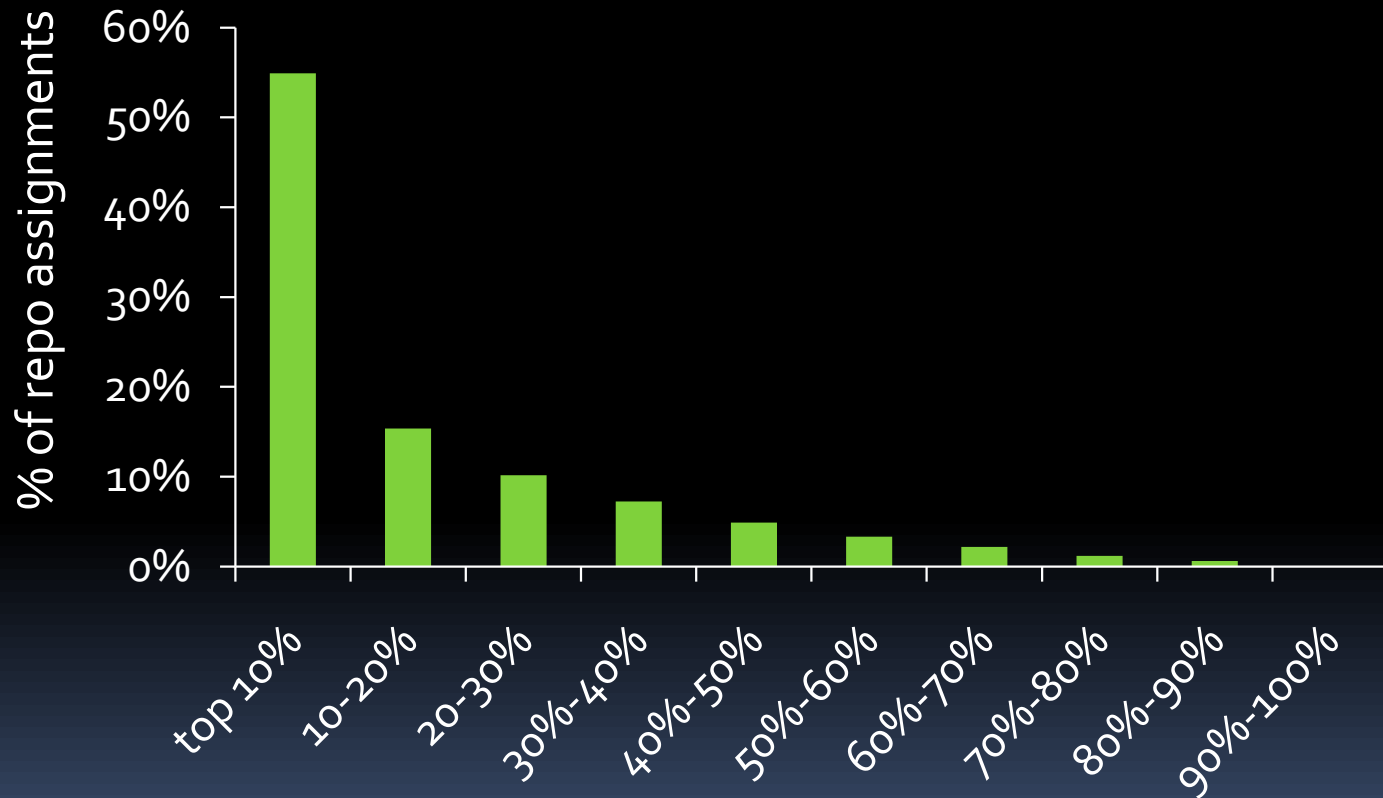
Market Projection  
Repos (in millions)



Repo levels are decreasing due to tighter underwriting by lenders

# Recovery and Remarketing Segment

High industry concentration among largest repo agencies



Repo agencies by decile

# Recovery and Remarketing Segment

## Forces Driving Competition



# Recovery and Remarketing Segment

## Pricing Tactics When Fixed Costs Are High

1. Seasonal Pricing
2. Dynamic Value
3. Monetizing By-products
4. Shared services



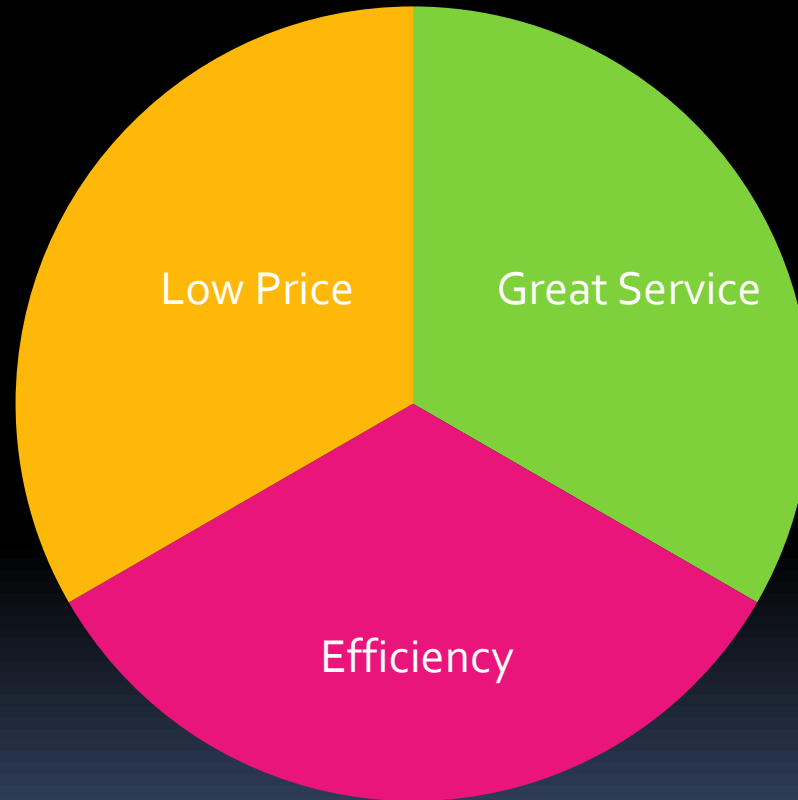
# Recovery and Remarketing Segment

## Pricing Optimization



# Recovery and Remarketing Segment

Differentiation



Pick any two



# Recovery and Remarketing Segment

## Monetizing By-Products

- ✓ Marketing Customer Contacts
- ✓ Lot space
- ✓ Auction services (e.g. Open Lane)

# Summary

- ✓ Economic recovery will likely be weak and uneven –expect volatility
- ✓ Unemployment will remain high for a long time
- ✓ Auto lending will expand in 2011 and profitability will be strong
- ✓ Repo levels will decrease
- ✓ There will be increased pricing pressure on recovery agents
- ✓ Fuel prices will be a threat – possible oil shock