

# AUTO FINANCE NEWS

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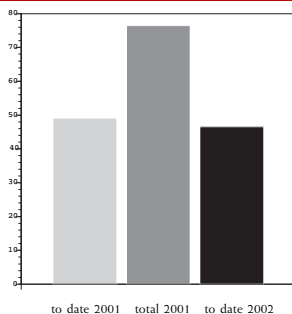
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## AUTO ABS VOLUME



in billions as of 7/26

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## INCENTIVES DEALS BOOSTING SALES, BUT RESHAPING MARKET

By offering interest-free loans of up to 60 months, and cash-back rebates as high as \$7,000, carmakers are spurring sales higher.

Sentiment on the showroom floor, however, is divided between dealers expecting stronger sales ahead, and those wondering if today's success is coming at the expense of tomorrow's sales.

Two of the nation's leading dealership groups — **Asbury Automotive Group Inc.** and **AutoNation Group Inc.** — are so bullish on the rest of 2002, they've each issued optimistic earnings forecasts, attributing the brighter outlooks to better-than-expected new, and used, car sales and increased financing activity.

On the front lines, though, skeptics like **Gerald Hayes**, the finance director at **Burt's Arapahoe Ford** dealership in Englewood, Colo., said this latest round of deals may bolster sales, but essentially it is drawing buy, meaning there will be fewer customers later on.

"It's the same thing that happened last fall after 0% first was introduced," said Hayes. "We were extremely busy. I think we sold 600 cars in October alone, a record for us, but what happened was we saw a deep decline during the first quarter of this year."

Sales rose to a seasonally adjusted annual rate (SAAR) of 18.6 million in the fourth quarter of 2001, after automakers began offering 0% financing to spur demand in a sluggish economy made worse by the Sept. 11 terrorist attacks. The incentives paid off as the industry pulled in its second highest sales numbers in history, topping out at 17.1 million, according

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## AUTO ABS VOLUME SLIPS, BUT STRONG

Second-quarter public auto-backed securitizations fell slightly from the record-breaking first quarter, but remain on a brisk pace thanks to strong car sales and auto-financing activity.

A total of \$21 billion of auto loans were securitized in 18 deals last quarter, marking the second-highest single quarter ever in terms of volume, according to research conducted by *Auto Finance News*. Last quarter's tally was off the record-setting first quarter when \$22.8 billion of loans were securitized, but way ahead of \$15.7 billion logged during the second quarter of last year in a total of 17 deals.

## COMINGS & GOINGS

- **Rocco Fabiano** to step down at **Household International**.
- **RVI Group** hires risk expert **Rene Abdalah**.
- Former **CUDL** rep **Nikki Duran** lands at **Digital FCU**.
- **David MacLennan** resigns from **FirstCity's** board.

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The record first quarter followed the launch of incentives deals in the fourth quarter of last year, such as 0% financing programs that helped propel the industry to its second-best year ever, with 17.1 million in light vehicle sales. The increased financing activity provided lenders with a larger pool of loans to securitize.

While the industry may be off that annualized pace, experts still expect sales to hit 16.5 million by the end of this year. Following a lull in May, automakers came storming back with 0% financing and higher rebate deals, reinvigorating sales. When automakers implemented similar strategies last fall, the result was a first quarter with the highest auto ABS volume ever.

Additionally, with so many loans in the pipeline, it's unlikely the pace will abate this

Continued on page 14

# Rates

## REGIONAL AND NATIONAL AUTO LOAN RATES

Rates are for 60-month loans on 2001-2002 new autos and one-year-old used autos. For purposes of this survey, borrowers are considered to have A+ credit if their scores on auto-specific models of combined credit reporting bureaus exceeds 720; A if their scores fall between 680 and 719; B, 650 and 679; and C, 625 and 649. For lender-specific rate and fee information, contact Bob Johnston at INFORMA RESEARCH

### NEW AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	5.21	5.35	6.13	7.99	6.17
Southeast	5.32	5.50	6.56	8.59	6.49
Central Midwest	5.53	5.53	6.50	8.95	6.62
TX & Southwest	5.68	6.00	7.41	10.06	7.29
Western	5.40	5.63	6.64	8.78	6.61
Northwest	6.06	6.64	7.71	9.53	7.49
Tier Avg. Rate	5.53	5.77	6.82	8.98	6.78

### USED AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	5.36	5.44	6.20	8.11	6.28
Southeast	5.49	5.64	6.65	8.83	6.65
Central Midwest	5.75	5.75	6.61	9.22	6.83
TX & Southwest	5.87	6.25	7.66	10.20	7.49
Western	5.56	5.81	6.84	8.86	6.77
Northwest	6.07	6.65	7.74	9.54	7.50
Tier Avg. Rate	5.68	5.92	6.95	9.13	6.92

Source: Informa Research Services Inc., 800-848-0218

\*as of 7/25

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# Comings & Goings

## HOUSEHOLD AUTO EXEC TO STEP DOWN AT THE END OF THE YEAR

**Rocco J. Fabiano**, group executive of auto finance, retail services and insurance services at **Household International Inc.**, Prospect Heights, Ill., plans to leave the company at the end of the 2002.



Household's Fabiano

Fabiano, who couldn't be reached for comment by press time, said in a statement released by the company that he plans to devote more time to his family and personal interests. A spokesman for the company said Fabiano will focus most of his efforts through the end of 2002 on the company's auto finance business. Fabiano, a co-founder of **ACC Consumer Finance Inc.**, joined Household in 1997 when Household acquired that company.

**Siddharth N. Mehta**, group executive of credit card services and Canadian operations, will assume Fabiano's management of Household's auto finance business. Mehta has been with Household since 1998, when he joined the company from **Boston Consulting Group Inc.** to help restructure its credit card business.

The news of Fabiano's impending departure comes during a major shake-up in the upper ranks at Household. Most notably, **David A. Schoenholz** was promoted to the dual post of president/chief operating officer, reporting directly to **William F. Aldinger**, Household's chairman and chief executive.

Reporting to Dave Schoenholz, **Steven L. McDonald** has been named senior vice president and chief accounting officer. Prior to the appointment, McDonald served as Household's managing director and corporate controller. Also reporting to Schoenholz is **Edgar Ancona**, who has been named senior vice president and treasurer.

And, Household vice chairman **Gary D. Gilmer** has elected to retire as of December 2002, after 30 years of service.

## RVI GROUP HIRES RISK EXPERT

**Rene Abdalah** has been named assistant vice president of the passenger vehicle department at **The RVI Group**.

Based in Stamford, Conn., RVI specializes in underwriting residual-value insurance, serving both lessors and lessees in the passenger-vehicle market.

Abdalah's area of expertise is the analysis of the auto-leasing market, including consulting with lessors on the appropriate loss and reserve analyses, as well as residual setting practices.

Before joining RVI, Abdalah held a similar position at **The Campbell Group**, an auto-lease consulting firm. Prior to that, he spent four years in the Lexington, Mass., office of **Standard & Poor's Inc.**, serving two years as a residual risk manager in the global automotive group.

## DIGITAL FCU TAPS FORMER CUDL REP TO HEAD INDIRECT LENDING

In the process of reorganizing its indirect-lending program, Marlborough, Mass.-based **Digital Federal Credit Union**, one of the largest credit unions in New England, has created a new indirect-lending department and hired **Nikki Duran** as manager.

As part of her new job, Duran will oversee the reinitiation of Digital FCU's use of **CU Direct Corp.**'s CUDL system, which enables its members to receive credit union financing at an auto dealership through an automated-decisioning system.

A spokeswoman for Digital FCU said the credit union became active again in July on CUDL, following an absence during which it reorganized to put a greater emphasis on indirect lending.

"[CUDL] provides our members faster, more convenient access to auto financing, and it improves Digital's position with the area's auto dealerships," said Duran.

And, she should know. Before landing at Digital FCU, Duran was CU Direct's credit union sales representative for the New England area.

## MACLENNAN STEPS DOWN FROM FIRSTCITY BOARD

**David MacLennan** recently resigned as a member of **FirstCity Financial Corp.**'s board of directors. He has held the post since July 1995, when he was an executive with FirstCity's long-time partner, **Cargill Financial Services Corp.** Headquartered in Waco, Texas, FirstCity is a specialty finance company that originates auto loans, among other things.

MacLennan left Cargill in September 2000, to join **U.S. Bancorp Piper Jaffray Inc.**, but remained on FirstCity's board.

He has since rejoined Cargill in a position in Geneva, and now attributes geographic considerations as the primary reason why he can no longer adequately fulfill his duties as a FirstCity board member.

### NOTE

Due to its summer production schedule, the next issue of *Auto Finance News* will appear on Sept. 16.

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Auto Finance  
Summit  
House-Ad

# Frontlines

## CREDIT UNIONS STEPPING UP AUTO FINANCE ACTIVITY

Auto financing has always been an important part of the lending done by credit unions (CUs), traditionally accounting for up to 40% of the average credit union's total loan portfolio. Today, though, they're having to find new ways to hold onto their niche in the increasingly competitive auto finance sector.

Aggressive marketing activities, including incentives from auto manufacturers, are forcing credit unions to develop more creative ways of maintaining their auto loan volumes, said **Tony Boutelle**, president and chief executive of **Credit Union Direct Lending (CUDL)**.

These include seeking out more non-adversarial relationships with dealers and focusing on auto-loan refinancing programs.

In the wake of the Sept. 11 tragedy, major U.S. automakers launched aggressive 0% financing programs to spur flagging sales. Offered through each automaker's so-called captive finance arm, these incentives, which were recently relaunched by many major manufacturers, have proven to be wildly popular with consumers. However, these incentives have made it difficult for funding sources such as credit unions to compete with.

For their part, U.S. automakers have been battling increasing competition for several years now from Asian and European manufacturers. Faced with ever-dwindling market share, they've been looking to high-margin business lines, such as finance and insurance, to shore up some of the shortfalls.

### CUs FINDING REFINANCING LUCRATIVE

Over the last few years, auto loan refinancing has grown to represent a major part of the business done by most successful credit unions.

According to a recent study by Washington, D.C.-based researcher **Callahan & Associates Inc.**, 22% of credit unions' auto lending business last year came from refinancing vehicles.

Furthermore, the study also showed that 57% of respondents with indirect auto-lending programs in the first quarter 2002 cumulatively generated

some \$4 billion in lending.

Callahan's data showed that CUs with indirect-lending programs post higher loan growth rates, 11.1%, than those without, 6.3%.

And, not only are credit unions branching out — Callahan reports that 60% of credit unions currently make auto loans to non-members — but much of their new business is coming from the nonprime segment, or borrowers with less-than-perfect credit.

### NONPRIME BORROWERS TURN TO CUs

"While banks are solely focused on the bottom line, credit unions, which are non-profit organizations, are focused on serving the financial needs of their members," said a spokesman for **New Media Auto Services Inc.**, an online auto finance company. Essentially, he explained, that means there is more leeway for a nonprime borrower to negotiate with a credit union.

In the meantime, credit unions are also looking into cyberspace to drum up auto-loan business. Virtually all respondents to the Callahan study indicated they accept auto loans over the internet, with 52% providing online approval.

According to CUDL statistics, auto lending by credit unions has increased each year for the past five years. Of those loans, approximately 70% are arranged at the dealership.

Overall, the Federal Reserve Board reported in its May 2002 Consumer Credit Report that credit unions have approximately a 17% share of all non-revolving credit outstanding. This figure is comprised of a majority of automobile loans, and all other loans not included in revolving credit, such as loans for mobile homes, trailers, or vacations. These loans may be secured or unsecured.

"[CUs] must understand that if they are not offering indirect auto lending to members, they are probably losing their auto loans to banks, manufacturers, other finance companies, or even other credit unions," said **Jill Campbell**, a **Utah League of Credit Unions** spokeswoman.

### AUTOFINANCENEWS

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## INCENTIVES MONITOR

### AUDI (2002 MODEL INCENTIVES)

Model	24 Mos.	30 Mos.	36 Mos.	60 Mos.
A4	1.9%	2.9%	3.9%	4.9%
A6	1.9%	2.9%	3.9%	4.9%
A8	1.9%	2.9%	3.9%	4.9%
S4	1.9%	2.9%	3.9%	4.9%
S6	1.9%	2.9%	3.9%	4.9%
S8	1.9%	2.9%	3.9%	4.9%
TT	1.9%	2.9%	3.9%	4.9%
Allroad Quattro	1.9%	2.9%	3.9%	4.9%

### TOYOTA (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mos.	48 Mos.	60 Mos.
4Runner	\$1,300	1.9%	2.9%	3.9%
Avalon (2002)	\$500	—	—	—
Avalon (2003)	\$500	—	—	—
Camry	—	2.9%	3.9%	4.9%
Rav4	\$350	—	—	—
Sienna	\$1,000	1.9%	2.9%	3.9%
Solara	\$750	1.9%	2.9%	3.9%
Tundra	\$750	1.9%	2.9%	3.9%

### FORD (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
Windstar	\$3,000	0.0%	0.0%	0.0%
F-150 (not Super Crew)	\$2,500	0.0%	1.9%	2.9%
F-150 Super Crew	\$1,500	0.0%	1.9%	2.9%
F-Series Super Duty	\$1,500	0.0%	2.9%	4.9%
Expedition	\$2,500	0.0%	2.9%	3.9%
Explorer	\$2,500	0.0%	1.9%	2.9%
Explorer (Sport)	\$2,500	0.0%	1.9%	2.9%
Explorer (Sport Trac)	\$1,500	0.0%	2.9%	4.9%
Escape	\$1,000	2.9%	3.9%	4.9%
Taurus	\$2,500	0.0%	0.0%	0.0%
Ranger	\$2,500	0.0%	0.0%	0.0%
Excursion	\$2,000	0.0%	2.9%	4.9%
Crown Victoria	\$3,000	0.0%	0.0%	0.0%
Focus	\$1,500	0.0%	0.0%	2.9%
Mustang	\$1,500	0.0%	2.9%	4.9%

### GENERAL MOTORS (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
Prizm	\$3,000	0.0%	0.0%	0.0%
Cavalier	\$3,000	0.0%	0.0%	0.0%
Sunfire	\$3,000	0.0%	0.0%	0.0%

Camaro	\$3,000	0.0%	0.0%	0.0%
Firebird	\$3,000	0.0%	0.0%	0.0%
Corvette	\$1,000	0.0%	1.9%	2.9%
Alero	\$3,000	0.0%	0.0%	0.0%
Grand Am	\$3,000	0.0%	0.0%	0.0%
Malibu	\$3,000	0.0%	0.0%	0.0%
Impala	\$2,500	0.0%	1.9%	2.9%
Century	\$3,000	0.0%	0.0%	0.0%
Monte Carlo	\$2,500	0.0%	1.9%	2.9%
Grand Prix	\$3,000	0.0%	0.0%	0.0%
Intrigue	\$3,000	0.0%	0.0%	0.0%
Regal	\$3,000	0.0%	0.0%	0.0%
Bonneville	\$3,000	0.0%	0.0%	0.0%
LeSabre	\$3,000	0.0%	0.0%	0.0%
DeVille	\$4,000	0.0%	0.0%	0.0%
Eldorado	\$4,000	0.0%	0.0%	0.0%
Seville	\$4,000	0.0%	0.0%	0.0%
Park Avenue	\$3,000	0.0%	0.0%	0.0%
Park Avenue Ultra	\$3,000	0.0%	0.0%	0.0%
Aurora	\$3,000	0.0%	0.0%	0.0%
S-10 (all models)	\$3,000	0.0%	0.0%	0.0%
Sonoma	\$3,000	0.0%	0.0%	0.0%
Silverado	\$2,500	0.0%	1.9%	2.9%
Sierra (not crew)	\$2,500	0.0%	1.9%	2.9%
Sierra crew cab	\$2,500	0.0%	1.9%	2.9%
Avalanche	\$2,500	0.0%	1.9%	2.9%
Escalade EXT	\$2,500	0.0%	1.9%	2.9%
Tracker	\$3,000	0.0%	0.0%	0.0%
Blazer (all models)	\$3,000	0.0%	0.0%	0.0%
TrailBlazer	\$2,500	0.0%	1.9%	2.9%
TrailBlazer EXT	\$2,500	0.0%	1.9%	2.9%
Envoy (GMT360)	\$2,500	0.0%	1.9%	2.9%
Envoy XL	\$2,500	0.0%	1.9%	2.9%
Bravada	\$1,000	0.0%	1.9%	2.9%
Aztek	\$3,000	0.0%	0.0%	0.0%
Rendezvous	\$3,000	0.0%	0.0%	0.0%
Tahoe (GMT820)	\$2,500	0.0%	1.9%	2.9%
Yukon (GMT820)	\$2,500	0.0%	1.9%	2.9%
Venture	\$4,000	0.0%	0.0%	0.0%
Silhouette	\$4,000	0.0%	0.0%	0.0%
Montana	\$4,000	0.0%	0.0%	0.0%
Astro (All Models)	\$3,000	0.0%	0.0%	0.0%
Safari (All Models)	\$3,000	0.0%	0.0%	0.0%

# Incentives

## 0% DEALS EDGING SALES UP

continued from page 1

to Autodata Corp. statistics.

Already by the first quarter of 2002, the annual pace had slowed to 16.3 million. By May, it slumped to 15.7 million, according to Autodata.

That decline prompted many major automakers, including all of the Big 3 — **General Motors Corp.**, **Ford Motor Co.**, and **Chrysler Corp.** — to come roaring back with 0% financing programs like those which captured the attention of American consumers last fall.

According to the latest statistics available, Agora, Calif.-based research group **J.D. Power & Associates** reported sales of light vehicles through the second week in July were on a near-record SAAR pace to top 18.1 million units, up from the 16.5 million SAAR rate in June.

And, 0% is not only affecting the markets for new and used-cars, it is also hitting the market for leased cars. With such attractive incentives available, fewer people are opting to buy their leased cars at the end of the term, said **Robert Schnorbus**, chief economist at J.D. Power.

That drives down used car prices and hurts manufacturers when they try to recoup the residual value of each vehicle at auction, where prices are also lower because of the latest round of financing deals.

## APPROACHING RECORD SALES LEVELS

While J.D. Power still expects annual sales to hold at 16.5 million, the company expects this July to go down as one of the top-five highest sales months ever. That distinction would become that much more impressive when considering that the summer is traditionally a slow sales period when automakers increase incentives to make room for new models.

**Mike Jackson**, chief executive at AutoNation, one of the largest car dealership groups in the country, said earlier this year he was apprehensive about the industry's performance for the remainder of 2002.

That was until AutoNation beat Wall Street

analysts' consensus earnings expectations recently, as reported by **Thomson Financial/First Call**. Second quarter net income rose to \$103.8 million, or \$0.32 per share, from \$86.3 million, or \$0.26 per share, in the same period a year ago. Analysts had expected a profit of \$0.30 per share, on average.

Jackson attributed the success to strong sales, fueling increases in financing and insurance. AutoNation recently raised its full-year earnings forecast to \$1.17 from \$1.15 per share, citing the strength of the U.S. light-vehicle market.

Also citing stronger-than-expected car sales and increased financing activity, **Asbury Automotive Group Inc.**, one of the largest automotive retailers in the U.S., surpassed analysts' earnings forecasts for the second consecutive quarter.

The company reported net income in the second quarter of \$13.8 million, or \$0.40 per share. Wall Street analysts polled by First Call had expected earnings of \$0.38 per share. (Comparable second quarter statistics from last year weren't available for Asbury, as the company went public earlier this year.)

Looking ahead, Asbury officials said the company should annually earn between \$1.57 and \$1.59 per share for 2002 — higher than the \$1.56 a share analysts had been forecasting.

## INCENTIVES MORE COSTLY NOW

Incentives may be driving sales higher, but they're also increasing costs for the automakers. According to J.D. Power statistics, the auto industry average total of cash-plus-interest subvention is nearly \$1,400 per vehicle. In October 2001, when sales rocketed to an annualized rate of 21.3 million units, the average was \$1,200 per vehicle.

Meanwhile, a recent *Reuters* report, citing industry analysts, said the incentives costs to the Big 3 is even higher — all three are averaging about \$2,600 per vehicle sold in incentives.

The report also said the discounting had driven the average transaction price in early July to below \$22,000, which is about \$300 below the June average.

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# Rumblings

## CALENDAR

Aug. 6-9: Kelly Enterprises Seminars will hold its "Comprehensive F&I Seminar" in Irvine, Calif. 800.336.4275, or [www.jlkelly.com](http://www.jlkelly.com)

Oct. 27-29: Royal Media Group will hold its "Auto Finance Summit, 2002" at the Venetian Resort Hotel Casino in Las Vegas. 800.320.4418 ext. 106, [www.lendingintelligence.com](http://www.lendingintelligence.com).

Feb. 1-4: NADA will hold its Convention & Exposition at the Moscone Convention Center in San Francisco, 703.821.7141

Mar. 9-11: The Consumer Bankers Association will hold its "Auto Finance Conference and Tradeshow" at the Hyatt Regency Dallas. 703..276.1750, or [www.cbanet.org](http://www.cbanet.org).

To have your event listed, contact Craig McGuire at 212.564.8972 ext. 103, or email details to [cmcguire@lendingintelligence.com](mailto:cmcguire@lendingintelligence.com).

## WESTCORP OFFERS TO BUY WFS REMAINING MINORITY STAKE

Irvine, Calif.-based Westcorp Inc. has offered to acquire the 16% of shares that it does not already own in its auto finance subsidiary WFS Financial Inc. The deal, a stock swap, is currently valued at approximately \$126 million.

Under the terms of the offer, Westcorp, an Irvine, Calif.-based financial services holding company, would acquire those 6.6 million common shares. WFS shareholders would receive 0.9204 shares of Westcorp common stock for each WFS common share, in a tax-free transaction.

While Westcorp officials declined comment at this point in negotiations, they did say that if the merger is finalized, WFS would be operated as a division of Western Financial Bank, a subsidiary already wholly owned by Westcorp.

Based on the price on the NYSE of a Westcorp common share at press time, the offer represents a value of \$19.06 per WFS common share. This constitutes a premium of roughly 0.4% over the \$18.99 price of WFS common shares.

The proposal is subject to the approval of the boards of WFS, WFB and Westcorp, the negotiation and execution of a definitive agreement, and any required regulatory approvals.

The board of WFS Financial has formed an independent special committee to evaluate the proposal and make a recommendation to the board.

Recently, WFS reported net income of \$22.5 million for the second quarter of 2002, a 15% increase from the \$19.5 million reported for the same period a year ago. However, the company reported \$0.55 per share in earnings, down from \$0.63 in the same quarter of 2001, and less than the \$0.56 expected by Wall Street analysts as reported by financial services earnings barometer Thomson Financial/First Call.

## UNION ACCEPTANCE CORP. JOINS DEALERTRACK.COM

Union Acceptance Corp., Indianapolis, recently signed a deal with DealerTrack.com Inc., Melville, N.Y., to become part of the DealerTrack online auto finance system.

DealerTrack automates the finance process by allowing Union Acceptance, and other participating lenders, to receive credit applications from dealerships via a web-based system. The system is designed to reduce the time spent manually processing applications, as well as cut down on the potential for input errors. DealerTrack is available to all Union Acceptance dealers.

UAC, one of the nation's largest independent, indirect auto finance companies, is the latest in a string of major players in the auto finance sector to align with DealerTrack. DealerTrack is owned by a consortium of finance companies and banks, including affiliates of: WFS Financial Inc., AmeriCredit Corp., Automotive Lease Guide LLC, Capital One Financial Corp., GRP Partners, JP Morgan Chase & Co., Wells Fargo & Co., and its nonprime finance subsidiary Wells Fargo Finance.

DealerTrack may be looking to shore up alliances in advance of the launch of the technology currently being developed by RouteOne Inc., the joint venture formed earlier this year by DaimlerChrysler Services, Ford Motor Credit Co. and General Motors Acceptance Corp. Subsequently, Toyota Financial Services Corp. also bought a minority stake in RouteOne.

RouteOne has been charged with creating a web-based system that will enable dealers to send credit-application information to, and receive credit decisions from, multiple financing sources, including captives, banks and other institutions.

DealerTrack caters primarily to the independent dealer community, a market segment RouteOne is eyeing.



## STARTER INTERRUPT DEVICES TAKING HOLD IN NONPRIME SPACE

Nonprime auto financiers are increasingly using so-called starter interrupt devices, which, in the three years since they were introduced to the sector, have been found an effective way to improve collections.

The devices are attached to the dashboard of a vehicle to prevent a borrower from starting his car if they should fail to make a loan payment. The devices thereby encourage borrowers to be timely with their payments, reducing lenders' collections demands.

The devices have, so far, been best suited for Buy Here/Pay Here dealerships, which personally fund their used-car sales. However, a few lending companies in the nonprime space have either expressed interest, or are actually using the devices today. Because the devices require the lender to physically service the loan, even if it is just to re-issue a code

every month, there is a limit to their usefulness among auto finance companies, which often sell their loans to other institutions.

Originally developed by energy utilities over 20 years ago to shut machines down remotely, starter-interrupt technology was introduced into the U.S. auto finance sector by a handful of vendors in 1999. The way the devices work is the buyer receives an activation code, which expires when his next payment is due. The consumer may, or may not, receive a grace period of a few days before the code expires. In order for the borrower to start the car after the code expires, he needs a new code, which he receives from the lender only when he pays his bill in full, or works out a repayment agreement.

As for pricing, **Jim Kruger**, president of **Pay**

*Continued on page 10*

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## PROTO-CALL: A GUIDE TO BETTER PHONE COLLECTION TECHNIQUES

Hershey, Pa. — Proper phone technique is likely the most critical collector skill, said **L. Patrick Wright**, president and chief executive of Cumming, Ga.-based **Collection Training Institute Inc.**, at a recent industry conference.

To that end, Wright has created a calling strategy, which he refers to as the "Call Guide." It serves as a tool to steer collectors through the calling process, teaching some of the skills that may be overlooked during regular training.

"If you have good contacts, but your collectors don't know what they're doing, you have more and more doing it wrong," said John H. Garrison, manager of special assets for **BB&T Corp.**, a Winston-Salem, N.C.-based bank. Garrison's collection unit prescribes to Wright's Call Guide.

The Call Guide breaks the call down into six sections: the opening, the critical issue, the hang-on skill, the hang-in skill, negotiation, and the closing.

"The importance of the opening is that it sets the stage for everything that's going to happen," Wright said.

The opening, which should not exceed 15 seconds, should be comprised of the following elements:

1. Ask for the customer.
2. Verify that it is the customer with whom you are speaking. If the customer is not available, ask when would be a better time to call, or request a cell phone number.
3. Identify yourself.
4. State the purpose of the call.
5. Pause.

The critical-issue component of a collection call requires the collector to state the amount due, resolve any disputes that may arise regarding the debt, ask for the amount *today*, then pause.

*Continued on page 11*

# Techniques

## PROFIT-GENERATING TIPS AND ADVICE

### BUYERS' GUIDE

The following vendors sell some version of the starter interrupt devices:

#### American Access Systems Inc.

7079 South Jordan Road  
Englewood, Colo. 80112  
Phone: 303.799.9757  
Site: americanaccess.com  
bhedahl@americanaccess.com

#### PASSTEC Security Systems Inc.

1442 Market Street #200  
Denver, Colo. 80202  
Phone: 303.607.0356  
Site: passtecsecurity.com  
info@passtecsecurity.com

#### Payment Protection Systems Inc.

42181 Avenida Alvarado,  
Temecula, CA 92590  
Phone: 877-587-4777  
Site: ppsontime.com  
sales@ppsontime.com

#### Pay Technologies Ltd.

4900 Brookpark Road  
Cleveland, Ohio 44134  
Phone: 216.459.0353  
Site: payteck.com  
payteck@payteck.cc

#### Rentaltrack.com

Phone: 877.684.2040  
Site: rentaltrack.com

#### InterTrak Tracking Services, L.L.C.

P.O. Box 830 Frisco,  
Texas 75034-0014  
Phone: 866.FIND.ME1  
Site: trackmenow.com  
sales@trackmenow.com

### STARTER INTERRUPTS

*continued from page 9*

**Technologies Inc.**, said his company sells its Payteck starter interrupt device on a sliding scale, based on volume, of no more than \$225 each. Competitor **Payment Protections Systems Inc.** sells its On Time device for \$220 to \$260, also based on volume, said company vice president **Ashley Herndon**.

### OPPOSITION FADING

Most of the initial opposition to the devices sprung from various states' attorneys general and consumer advocates, who misunderstood how the devices worked. The primary concern was that the devices would stop a vehicle when it was in motion, but in fact, it only prevents a borrower from starting the car.

There is plenty of room for further growth in this market with only 5% of the estimated 30,000 Buy Here/Pay Here dealers in the U.S. using starter interrupts, according to **Ken Shilson**, president of the **National Association of Buy Here/Pay Here Dealers**.

"The growth is there, as I am seeing more of our dealers are not only using starter interrupts, but location tracking devices," said Shilson.

Global Positioning System (GPS) devices, that track the physical location of a vehicle, are another type of device that is sometimes used for collections purposes and has sparked some concerns with privacy violations. This device is often confused with a startup device. It is not expected to gain the same degree of popularity as starter interrupts.

In real numbers, Payment Protection Systems' Herndon estimates there are between 150,000 and 200,000 starter interrupt units in use right now, with his company operating almost 60,000 unit.

What do the dealers themselves say? **Ingram Walters**, who owns a string of dealerships in North Carolina anticipates the majority of Buy Here/Pay Here dealers in the U.S. will be using some sort of starter interrupt within five years.

"I pulled my delinquency report today, and since we began using the devices, we've dropped from 40% delinquencies to under 10%," said **James Brown**, who owns **Big Shoe Auto Sales** in Irving, Texas, who has approximately 280 customers using the device. "It gives me control over payments, and I'm receiving more full payments, because a partial payment doesn't get you a new code. And, where I used to have three people in collections, I now only need one."

### LESS COLLECTORS REQUIRED

**Joe Page**, an owner of **Car Pros**, Albuquerque, N.M., said his company has not had to add more staff to handle collections, because it started using the devices less than a year after opening in October 1999. Car Pros has the devices installed on some 200 vehicles.

"We have the same employee handling collections today as we did then, and she also serves as our cashier and receptionist," he said. "These devices have also allowed us to take certain deals that in the past we would not have taken."

### FINANCE CO.'s CATCHING ON

Now, a number of finance companies are using the devices, including **Growth Resource Group Inc.**, San Juan Capistrano, Calif.

"It almost gives us an unfair advantage, when you compare finance companies that don't use them in terms of being able to screen out intentional fraud and payment defaults," said **Garry Gladstone**, who owns Growth Resource. While he would not provide a number his company's usage, he said it is in the thousands.

"But dealers and lenders have to realize that they need to act responsibly with these devices, and be responsive to customers, such as providing the codes when the borrower has fulfilled his obligation," said Gladstone. It's just like what happened with the fax machine. This will catch on, but someone has to be the first to buy."

### PROTO-CALL

*continued from page 9*

While the borrower may agree to pay the debt, it is crucial for the collector to get him to commit to paying — at least a portion — that same day. Otherwise, chances of a broken promise are significantly increased, Wright said.

### NEVER HANG UP

The hang-on skill — which may be necessary either during the opening or the critical issue — relates to a “customer that really wants you to go away,” Wright said. For example, the borrower may say, “This isn’t a good time, because I have a dental appointment.” The collector should then acknowledge what the customer said, but continue with the purpose of his call. He may respond, “I know you have a dental appointment, but if I could have a minute of your time. This is also an important matter.” The key to the hang-on skill is keeping the customer on the phone, with the conversation headed toward getting the debt paid.

The hang-in skill should be used with an emotional customer — one who is crying or angry, for example. The collector should attempt to diffuse the emotion. Take, for instance, a borrower who says, “I’m sick and tired of you people. You never listen.” The collector might answer, “I understand that being out of work can frustrate you. I’ve worked with other people out of work; let’s see if I can work with you, too. Then you’ll stop getting these phone calls.”

### EMPATHIZE WITH BORROWERS

There are two dangers in diffusing emotion: the collector going off of a tangent or alienating the customer, Wright said. Collectors must empathize with borrowers, not sympathize with them, otherwise they could end up talking about the difficulties of finding a new job, or the like. Also, collectors must take heed that in diffusing the emotion, they are not dismissing it, for that could upset the borrower all together — to the point that he won’t want to even discuss the debt.

The fifth section of the call is negotiation. If you ask the customer to pay \$300 today, and he says

no, don’t just hang up. “It’s a negotiation — don’t necessarily take the first offer,” Wright said. “And don’t assume, ‘Oh, they could never pay that.’”

Negotiation can be divided into three categories, or stages, as Wright refers to them. Stage I refers to a person who can pay the amount due, just not all today. He may be able to pay off the debt in two payments — half today, and half by week’s end, when he gets paid.

“Try to make the first payment as large as possible, as soon as possible,” Wright said. And make sure the payments are made before the billing cycle ends, so the borrower is not forced to pay additional late fees.

Stage II refers to a person who makes the initial commitment, but is vague on the remainder. In those instances, the collector should ask questions like, “When do you get paid again?” or “Can your wife help?”

### WHAT IF THEY JUST WON’T PAY?

Stage III negotiations come into play when the borrower cannot or will not pay. If the borrower has not already said why he will not pay, find out. Some potential collector questions in this case are: “Are you receiving unemployment?” “Are there CDs or other assets?” If the customer still refuses, make clear to him that your collection efforts will continue.

The last phase of the collection call is the closing. In the case that the efforts until that point have been unsuccessful, “give the customer a mission,” Wright advises. “[Ask,] ‘Is there anywhere else you can get the money?’ Remind them that you’ll call back, and determine their intent.” Always end on a positive note, like, “Thank you, goodbye.”

If the effort to collect was successful, be sure to stress the urgency of the payment. Verify the method of payment, the amount, and the date it will be paid, Wright said.

To teach this calling methodology, Wright advises first training collection managers. Once the managers are comfortable with it, it will be easier to teach to rank-and-file collectors.

### REPRINTS

Did you like seeing your name or company in *Auto Finance News*? Share the news by reprinting the article and distributing it to your colleagues and customers. Reprint rights cost \$350 per article. Printing costs an additional \$0.15 per black-and-white copy or \$1.40 per color copy. (Shipping not included.)  
To order a reprint, call 800-320-4418 x101 or email [mkrantz@mgdigital.com](mailto:mkrantz@mgdigital.com).

# Compliance

## EXPERIAN'S "PATRIOT ACT" SOFTWARE

Experian launched a series of products earlier this year designed to help meet compliance needs associated with the USA Patriot Act, which could impact auto finance lenders and dealers when the moratorium on the law is lifted in October.

Experian's products include:

**OFAC Name Matching Service:** Designed to check if a consumer's name appears in the federal database.

**National Fraud Database:** Cross-industry repository of known fraud records.

**Authentication Solutions:** Real-time identity verification for consumer-not-present transactions.

## PATRIOT BILL EXPENSIVE FOR AUTO LENDERS, LAWYERS WARN

The impact of the sweeping USA Patriot Act — designed in part to prevent money laundering by terrorists — will soon be felt in the auto finance sector.

In the meantime, many dealers and lenders are unaware they'll soon have to shell out the expenses associated with complying with the requirements of the act. For example, companies in other sectors of the lending industry have had to add new software to detect money laundering patterns, as well as implement stricter so-called "Know-Your-Customer" rules.

The act, whose official name is "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" was passed last October in the wake of the Sept. 11 terrorist attacks. Since then, many financial institutions have been beefing up their compliance departments to more closely monitor transactions and customers.

It was only in April, however, that the Treasury Department announced it would expand the number of institutions required to adhere to the act to include financial institutions that had not previously been subject to laws or regulations, like the Bank Secrecy Act, that required them to establish anti-money laundering programs. Auto finance companies fell into that mix.

Within days, however, a moratorium was granted when the Treasury's Financial Crimes Enforcement Network (FinCEN) successfully petitioned these companies be exempt till Oct. 24, pending further analysis and review by Treasury and FinCEN.

"The law now includes all businesses engaged in vehicle sales, so it's not just lenders, but dealers as well," said Douglas Koktavy, a Denver attorney specializing in creditor's rights in the automotive lending industry. Previously, auto lenders and dealers did not have to conform to any anti-money laundering regulations.

"Until recently, most in the industry were

unaware of the effects of the Patriot Act, and many still aren't up to speed," said Jack Tracey, executive director of the National Automotive Finance Association (NAF), Pittsburgh, which has some 70 dealers and lenders as members.

Essentially, what the Patriot Act does is draw car dealers and lenders, among others, under the jurisdiction of the Treasury Department and the Bank Secrecy Act.

So exactly what does that mean for the auto finance industry?

According to the law, administered by the Treasury Department's Office of Foreign Assets Control (OFAC), the Treasury Department maintains a list of individuals it considers threats to launder money. Before a car dealer or auto finance company closes a transaction, that company must first check that the buyer is not on that list.

Should a buyer's name appear on the list, the dealer or finance company cannot do business with the customer, until it confirms that there was either a mistake, or proves the buyer shares the same name.

Additionally, car dealers and finance companies have to establish "reasonable procedures," or measures that ensure that they have correctly identified their customers.

Therefore, not only is a dealer who enters into a sale or lease with someone on the list violating federal law, but the contract is deemed unenforceable.

Should that dealer have sold the contract to a sales finance company or bank, the sales finance company or bank could theoretically force the dealer to buy the contract back — a contract it could not enforce, on a car that is still in the buyer's possession.

To make matters more difficult, the new law does not include dollar thresholds, so it applies to all-credit, part-credit-part-cash, and all-cash deals. While the BSA has two different dollar thresholds that apply to two different activities (\$10,000 for cash transactions; \$5,000 for

*Continued on page 19*

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# Technology

## INCENTIVES INFO DRIVING ONLINE TRAFFIC HIGHER, VENDORS SAY

A number of web outlets for buying, selling and owning a vehicle recently reported spikes in online traffic driven mainly by visitors seeking information on incentives, especially 0% financing.

A spokesman for **Cars.com** said page views for the site's rebate section alone have doubled in the past month, though he would not provide exact numbers.

Realizing the appeal of special-financing offers, the company redesigned the incentives page last fall, right after the 0% financing campaigns swept the industry and reignited flagging sales.

Cars.com continually aggregates up-to-date nationwide incentive offers.

Consumers can search for incentives by vehicle make and get advice on the best

deals available in the marketplace.

Meanwhile, **Cars.com** isn't the only online resource to have recognized the drawing power of incentives this summer.

Competitor **Carsdirect.com** added its own "Rebates & Incentives" page to the so-called Research Center on its site. A spokeswoman could not provide traffic numbers and said only that the overall site receives some three million unique hits per month. She did say, however, that the new addition has become the most popular research feature on the site.

"Timely rebates and incentives information do drive web site traffic, and a growing number of web sites are helping car shoppers get access to comparative rebate and incentive information," said the **CarsDirect.com** spokeswoman.

Looking to bolster its own usage numbers, **NADAguides.com**, a competing automotive information resource on the web, launched its "New Car Incentives and Rebates" service at its web site, in June.

Similar to the **Cars.com** offering, **NADAguides.com** now provides consumers with an array of information, regarding cash rebates on new cars, special financing and lease programs, info on loyalty bonus programs, and a new car configurator, allowing consumers to build, research, price and compare new vehicles side-by-side.

While a spokeswoman said the feature is becoming one of the site's most popular, she said she could not provide comparative numbers.

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# Wall Street Watch

## AUTO ABS ISSUANCE STRONG

*continued from page 1*

year, even if auto sales decline.

In fact, as of press time, an additional \$5 billion in auto loans had been securitized in July alone.

Strong demand for safe-haven securities is also encouraging securitizers to place their deals. Asset-backed security prices have been rising as large numbers of skittish investors move their money out of the volatile equity markets and into more secure fixed-rate, short-term paper. With demand pushing prices higher and yields lower, securitizers can raise cash for more loans at lower interest rates. Many analysts say they see better value in the ABS market than in higher-risk corporate bonds, or in the Treasury market.

**Keith Palmer**, treasurer at **WFS Financial Inc.** (one second-quarter deal, \$1.75 billion), said pricing was at the tightest it has been since 2000, and yields on various ABS maturities have been falling faster than those along the benchmark swaps curve, creating a tighter spread, which signals the increasing value investors place on these securities.

"Specifically, when you look at the credit spread over the swap curve, it's consistently been in the 20-plus basis-point range on fixed deals," said Palmer.

More recently, on July 16, **American Honda Finance Corp.** sold \$1 billion in ABS with maturities ranging from four months to two years. The two-year note sold for \$99.99 with a yield of 3.020%. The two-year Treasury note is currently selling for \$99.21 with a yield of 2.43%.

Unlike last quarter, when auto ABS volume was dominated by a single issuer, **Ford Motor Credit Co.**, the volume this time around was spread more evenly among several players.

In fact, while overall, the second quarter lagged just \$2.8 billion behind last

## TOP 10 SECURITIZERS IN 2Q

2Q02	1Q02	Seller/Service	In M\$
1	7	AmeriCredit Corp.	2,000
2	2	American Honda	1,803
3	-	DaimlerChrysler	1,800
4	4	WFS Financial Inc.	1,750
5	1	Ford Motor Credit	1,596
6	8	Nissan Motor Accept.	1,500
7	-	BMW	1,395
8	5	GMAC	1,394
9	3	Chase Auto Finance	1,368
10	-	Capital One Auto	1,200
Total Top 10.....			\$15,807
1Q02 Total Top 10.....			\$22,138

quarter, the leading securitizer, **AmeriCredit Corp.**, Fort Worth, Texas, which logged some \$2 billion in two deals, paled in comparison to Ford's first-quarter activity. Not only did Ford bring \$7.9 billion in deals to market, its \$5.06 billion deal was the largest ever.

This time around, Ford slid to fifth place, with a single \$1.596 billion deal.

Meanwhile, American Honda Finance edged out **DaimlerChrysler AG** for the No. 2 spot. On May 14, Honda securitized \$1.803 billion in its only deal of the quarter, which also happened to be the largest single securitization of the period. Chrysler's deal was valued at \$1.8 billion. WFS Financial rounded out the Top 5, placing fourth.

On average, though, the deals were smaller than last quarter, averaging \$1.166 billion, as compared with the first quarter when the average securitization stood at \$1.7 billion. However, the second-quarter deals were still higher, on average, than those in the second quarter last year (\$926.4 million).

**J.P. Morgan Securities**, a division of **J.P. Morgan Chase & Co.**, took the top spot among lead managers of auto securitizations. J.P. Morgan, which had dropped from No. 1 during the fourth

## TOP 2Q AUTO LEAD MANAGERS

2Q02	1Q02	Lead Manager	Deals	In M\$
1	4	J.P. Morgan	7*	10,065
2	5	Deutsche Bank	6*	8,253
3	3	Banc of America	5*	5,639
4	9	Merrill Lynch	4*	4,045
5	8	Barclays Capital	2*	3,399
6	-	Lehman Brothers	1*	1,596
7	6	Salomon Smith B.	2	635
8	10	Wachovia	1	512

\* some deals were co-managed.

quarter of last year to the fourth spot in the first quarter of 2002, spearheaded some \$10 billion in deals.

[Several investment banks served as co-lead managers on several deals last quarter.]

As for the rest of the Top 5, **Deutsche Bank** rose to No. 2 from fifth place last quarter, followed by **Banc of America Securities LLC**, **Merrill Lynch & Co.**, and **Barclays Capital**, a division of **Barclays PLC**.

**Juliet Jones**, ABS analyst at Barclays Capital, said the U.S. ABS primary market is continuing at a modest pace. Some \$6.2 billion of supply is expected to be issued, half of which is likely to come in mortgage-related sectors.

When, on July 23, the Dow Jones Industrial Average fell to its lowest close, 7,780.08, since Oct. 1998, investor fears spread to some fixed-incomes securities, pushing prices lower and yields higher.

"The third quarter started out great, and we saw tight spreads just like we saw in the second quarter," said WFS's Palmer. "But, when the equity markets took a dive, we saw the spreads actually widen. However, spreads are starting to tighten back up."

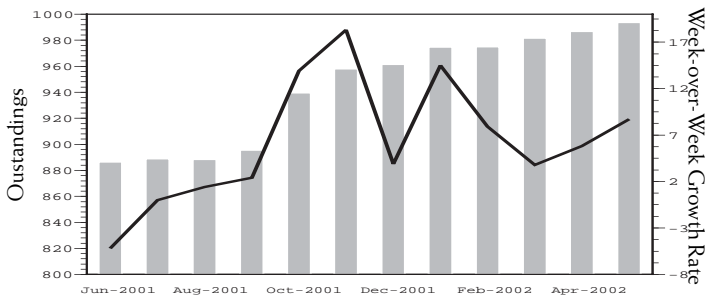
Jones, from Barclays said she anticipates a total of \$90 billion in U.S. auto ABS deals this year.

PUBLIC AUTO-BACKED SECURITIZATIONS IN 2ND QUARTER, BY DATE

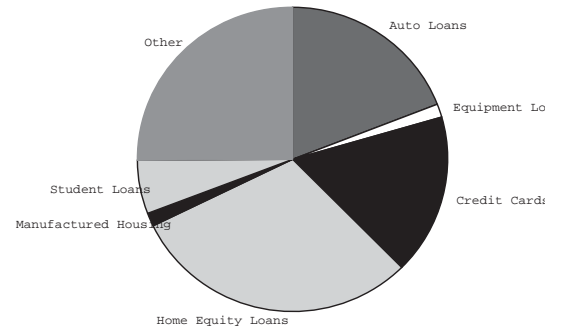
Date	Seller/Service	Lead Manager	Total In \$M	Enhancement
4/9	Nissan Motor Acceptance Corp.	J.P. Morgan Securities	1,500.00	senior-sub
4/10	AmeriCredit Corp.	BofA Securities/Deutsche Banc	1,000.00	senior-sub
4/15	General Motors Acceptance Corp.	BofA/J.P.Morgan/Merrill Lynch	1,394.00	senior-sub
4/16	Daimler Chrysler	Deutsche Banc/J.P. Morgan	1,800.00	senior-sub
4/16	Capital One Auto	Deutsche Banc	1,200.00	MBIA
4/23	Onyx Acceptance Corp.	Salomon Smith Barney	400.00	MBIA
5/14	American Honda Finance Corp.	Barclays Capital/J.P. Morgan	1,803.80	senior-sub
5/14	BMW	BofA Securities/Deutsche Banc	1,395.40	senior-sub
5/15	Toyota Financial Services	Deutsche Banc/Merrill Lynch	1,108.00	senior-sub
5/21	WFS Financial Inc.	Deutsche Banc	1,750.00	FSA
5/22	Household International	BofA Securities/J.P.Morgan	1,000.00	MBIA
5/29	Franklin Capital Corp.	Salomon Smith Barney	235.00	senior-sub
5/30	Chase Auto Finance	J.P. Morgan Securities	1,368.00	senior-sub
5/30	AmeriCredit Corp.	J.P. Morgan/Merrill Lynch & Co.	1,200.00	senior-sub
6/12	Mitsubishi Motors Credit of America	Merrill Lynch & Co.	887.20	senior-sub
6/12	Carmax	Wachovia Securities	512.60	MBIA
6/18	Ford Motor Credit Co.	Barclays Capital/Lehman Brothers	1,596.00	senior-sub
6/25	World Omni	BofA Securities/Merrill Lynch	850.00	senior-sub
Total 2Q02.....			\$21,000.00	
Total 1Q02.....			\$22,813.60	

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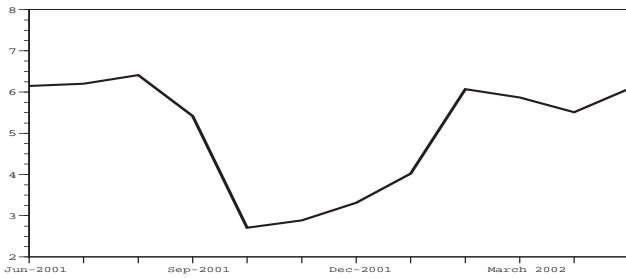
**BANKS' NONREVOLVING LOAN OUT.\***



**ASSET SECURITIZATION BY SECTOR**

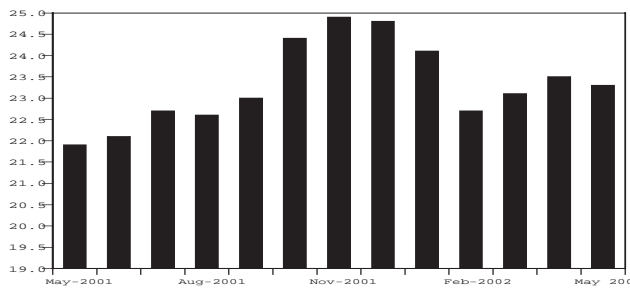


**AVG. INTEREST RATE AT FINANCE COS.♦**



TYPE	'02 YTD (%)	'01 YTD (%)
Auto Loans	19.12	22.49
Equipment Loans	1.40	1.83
Credit Cards	17.07	20.35
Home Equity Loans	30.20	28.62
Manufactured Housing	1.43	1.19
Student Loans	5.69	3.61
Other	25.10	21.89

**LENDING VOL. AT AUTO FINANCE COS.♦**



**NEW CAR LENDING AT FINANCE COS.♦**

Average Maturity*						
Dec.	Jan.	Feb.	March	April	May	
48.6	48.8	56.4	56.4	55.9	57	

Average Loan-to-Value Ratio						
Dec.	Jan.	Feb.	March	April	May	
91	90	89	90	93	92	

\* IN MONTHS

SOURCE: FEDERAL RESERVE BOARD

\*IN \$BILLIONS  
 †INCLUDES DATA FROM FORD MOTOR CO., GENERAL MOTORS CORP., AND DAIMLERCHRYSLER AG.  
 SOURCE: FEDERAL RESERVE BOARD

**SECURITIZATION SCOREBOARD**

Date	Seller/Service	Lead Manager	Amount (\$M)	Enhancement
7/9	OnyxAcceptance Corp.	Credit Suisse First Boston	450	MBIA
7/12	Daimler Chrysler	Bank One Capital/Sal. Sm. Barney	1,500	senior-sub
7/16	American Honda Finance Corp.	Banc of America Securities/Deutsche Bank	1,005	senior-sub
7/17	Long Beach Acceptance Corp.	Greenwich Capital Inc.	242	FSA



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# Scorecard

## TOP 20 CREDIT UNIONS IN 1Q02, BY TOTAL LOANS OUTSTANDING

Rank	Credit Union	City	ST	New Car Loans \$Out*	New Car IR%	Used Car Loans \$Out	Used Car IR%	Total Auto Loans #Out	Total Auto Loans \$Out*
1	Navy	Merrifield	VA	1,531,199	6.50	1,642,737	7.50	291,474	3,173,936
2	Security Service	San Antonio	TX	797,049	5.49	692,874	5.49	111,703	1,489,923
3	State Employees	Raleigh	NC	399,642	6.50	827,724	6.75	125,041	1,227,366
4	Pentagon	Alexandria	VA	580,203	4.90	539,072	5.90	89,206	1,119,274
5	The Golden 1	Sacramento	CA	614,732	6.25	464,979	6.55	88,975	1,079,711
6	Suncoast Schools	Tampa	FL	648,744	6.40	97,653	7.40	63,268	746,397
7	San Antonio	San Antonio	TX	458,782	5.90	232,279	5.90	51,189	691,061
8	Boeing Employees	Tukwila	WA	326,864	6.75	265,363	7.25	52,964	592,227
9	Patelco	San Francisco	CA	191,396	6.90	382,718	6.90	46,162	574,114
10	Orange Cnty Tchrs	Santa Anna	CA	268,104	6.75	277,751	6.75	50,268	545,855
11	Desert Schools	Phoenix	AZ	358,64700	8.16	185,459	8.53	43,772	544,106
12	American Airlines	Dfw Airport	TX	268,193	7.50	272,650	7.5	44,069	540,843
13	Bellco	Englewood	CO	219,380	5.99	316,659	5.99	40,837	536,039
14	American First	Ogden	UT	160,363	6.40	361,366	6.40	54,588	521,729
15	Penn. St. Empl.	Harrisburg	PA	273,851	5.99	222,011	7.49	50,072	495,862
16	Texans	Richardson	TX	308,971	6.70	177,026	6.70	37,335	485,997
17	Wescom	Pasadena	CA	219,850	5.99	254,771	7.24	37,544	474,620
18	Citizens Equity 1 <sup>st</sup>	Peoria	IL	369,909	6.25	95,096	7.25	43,5900	465,005
19	Community	Plano	TX	204,157	5.74	259,228	5.74	35,243	463,384
20	Kinecta	Manh. Beach	CA	205,367	5.99	248,241	6.19	35,890	453,607
Total Top 20.....									\$16,221,056
Total Top 100.....									\$37,168,451

\*all dollars are in thousands.

## TOP 20 S&LS IN AUTO LOANS OUTSTANDING in 1Q02

Rank	Thrift	City	ST	\$Chargeoffs	% Chargeoffs	\$+90 Lates	% Late	\$Troubled Loans	% Troubled Loans	Total \$Out
1	Western Financial Bank	Irvine	CA	33,082	0.56%	11,952	0.20%	45,034	0.77%	5,872,051
2	Charter One Bank FSB	Cleveland	OH	-2,408	-0.05%	5,756	0.13%	3,348	0.07%	4,580,565
3	Sovereign Bank	Wyomissing	PA	6,196	0.22%	3,517	0.13%	9,713	0.35%	2,797,639
4	USAA Federal Savings	San Antonio	TX	1,927	0.07%	799	0.03%	2,726	0.10%	2,606,359
5	California Federal Bank	San Francisco	CA	12,065	0.61%	6,496	0.33%	18,561	0.94%	1,969,191
6	E*Trade Bank	Arlington	VA	5,878	0.43%	1,227	0.09%	7,105	0.52%	1,371,537
7	Washington Mutual	Stockton	CA	460	0.05%	2,370	0.25%	2,830	0.30%	933,673
8	Chevy Chase Bank FSB	Mc Lean	VA	0	0.00%	14,549	1.63%	14,549	1.63%	889,929
9	Capital One FSB	Falls Church	VA	1,749	0.22%	1,058	0.13%	2,807	0.35%	794,837
10	Commercial FB	Omaha	NE	1,502	0.33%	833	0.18%	2,335	0.51%	461,175
11	State Farm Bank FSB	Bloomington	IL	2,301	0.55%	719	0.17%	3,020	0.72%	418,129
12	Ohio Savings Bank	Cleveland	OH	477	0.17%	347	0.12%	824	0.29%	285,382
13	Superior Bank	Fort Smith	AR	830	0.35%	959	0.41%	1,789	0.76%	236,435
14	Pan American Bank	Burlingame	CA	3,741	1.61%	144	0.06%	3,885	1.68%	231,682
15	Waypoint Bank	Harrisburg	PA	359	0.22%	188	0.12%	547	0.34%	160,607
16	Hickory Point Bank & Trust	Forsythe	IL	145	0.11%	216	0.17%	361	0.28%	129,117
17	First Market Bank FSB	Memphis	TN	74	0.06%	16	0.01%	90	0.08%	118,996
18	Gate City Bank	Fargo	ND	85	0.07%	45	0.04%	130	0.11%	114,189
19	New South Federal Savings	Irondale	AL	1,234	1.09%	347	0.31%	1,581	1.40%	112,939
20	First Federal Bank	Hazelton	PA	338	0.36%	225	0.24%	563	0.60%	94,581
TOTAL 1Q02.....										\$24,179,013
TOTAL 100 1Q02.....										\$26,616,808

\*all dollars are in thousands.

## RECENT PERFORMANCE OF PUBLICLY TRADED AUTO FINANCE COMPANIES

Company	Ticker Symbol	Price 7/29	Price 7/16	2-Wk% Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out.*	Mkt.Cap.*	Avg Vol*
AmeriCredit Corp.	ACF	19.05	20.91	-8.9	4.6	64.90	14.00	85,500	1,628,775	2,152
Asbury Automotive	ABG	12.06	12.72	-5.2	9.8	22.45	9.75	34,000	825,692	149
AutoNation Inc.	AN	13.24	13.02	1.7	13.8	18.73	7.75	321,500	4,256,660	1,639
CarMax Group	KMX	18.96	18.35	3.3	20.1	34.00	9.20	37,100	703,416	890
Consumer Portfolio Services	CPSS	1.75	1.65	6.1	20.8	3.81	1.01	19,400	33,950	17
<b>Credit Acceptance Corp.</b>	<b>CACC</b>	<b>9.30</b>	<b>10.98</b>	<b>-15.3</b>	<b>13.7</b>	<b>14.95</b>	<b>7.12</b>	<b>42,500</b>	<b>395,250</b>	<b>50</b>
FirstCity Financial	FCFC	1.15	1.25	-8.0	n/a	2.00	0.40	8,380	9,637	5
First Investors Fin'l	FIFS	3.53	3.40	4.1	n/a	3.95	2.00	5,400	19,110	18
Household Int. Inc.	HI	39.85	46.40	-14.1	8.5	68.60	33.80	456,500	18,191,525	3,404
Nicholas Financial	NICK	4.40	4.75	-7.4	5.8	6.25	3.31	5,000	22,000	5
Onyx Acceptance Corp.	ONYX	4.00	3.81	5.0	5.4	6.98	3.50	5,090	20,360	7
TFC Enterprises	TFCE	1.42	1.37	3.7	3.3	2.88	0.70	11,500	16,330	13
<b>Union Acceptance Corp.</b>	<b>UACA</b>	<b>4.99</b>	<b>4.59</b>	<b>8.7</b>	<b>32.1</b>	<b>9.45</b>	<b>3.90</b>	<b>31,000</b>	<b>154,690</b>	<b>29</b>
United PanAm Fin.	UPFC	6.88	7.05	-2.3	11.7	8.00	4.40	15,600	107,452	21
WFS Financial Inc.	WFSI	19.08	21.36	-10.7	11.2	31.95	14.92	41,000	782,280	54

\*in thousands. \*\* Greatest gainer and loser since July 16 in **boldface**.

## PATRIOT ACT COMPLIANCE

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"suspicious activity"), it has yet to be determined if those thresholds will be applicable.

"I'm not surprised there's a general lack of awareness of these laws," said Tom Hudson, an attorney and the publisher *Spot Delivery*, a monthly newsletter update of legal issues facing the auto finance sector. "But like it or not, under the regulations, each dealership and lender is going to have to appoint its own compliance officer, whether that's a new hire or an adding of duties to an existing employee, is up to them."

The NAF recently brought the matter to the attention of its membership during a session at the "6th Annual Non-Prime Auto Lending Conference" in Chicago.

"The mood of the lenders is that the law, as it is presently written, is onerous," said Tracey. "The expenses will, ultimately, be reflected in a higher cost in the sale price of the vehicle.

"Nobody thinks there shouldn't be safeguards," explained Tracey. "But, the regulation should be set in accordance to the risks, with enterprises such as precious metal dealers and pawn brokers held to stricter compliance than car dealers."

# Informa

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