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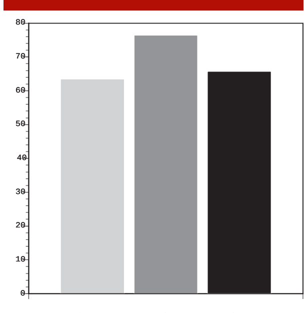
NEWS INDEX

AUTO ABS VOLUME



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LOW INTEREST RATES STILL KEY, BUT F&I MANAGERS WANT MORE

Car dealers are increasingly looking beyond interest rates when choosing lenders to finance their sales. Approval turnaround, funding speed and relationships are taking on new importance as competition among auto financiers is forcing more pricing parity.

Interest rates remain the key driver behind most dealers' choice of a lender, according to a recent study conducted by **Momentic Research**, a sister-venture of *Auto Finance News*, in which finance and insurance (F&I) professionals at 50 of the nation's largest dealerships were polled. The study showed 28.3% of these F&I managers said pricing was their primary motivator to work with a particular lender; 21.2% said buying deep — meaning a lender would buy more loans of lower quality as an incentive for a dealer to give it more prime loans; 12.1% said turnaround time; 11.1% said funding speed, 4% said tracking via the internet.

Some F&I managers say they have seen more parity in credit pricing as many financiers tighten their lending standards. Many of those lenders have shrunk the pool of borrowers they will accept, increasing the competition for these preferred consumers, who often have better-than-average pay histories.

"Ford is our capitive, and we're very loyal to them, but I've also noticed lenders are becoming more competitive, especially in the last six months," said **Gerald Hayes**, finance director at **Burt's Arapahoe Ford**, Englewood, Colo., which made $3.2 million off its finance and insurance business in 2001. "Pricing and

Continued on page 7

COMINGS & GOINGS

- Former **Bank One** pro **Buckingham** becomes new **Hyundai Finance** VP.
- **IARA** taps **ACS** Prexy **Shebesta** as new co-chair of its Technology Committee.
- **HELP WANTED**: The **IARA** searches for a new Executive Director.

see page 3

0% DRIVING SALES, EVEN AS MOST DON'T QUALIFY

No interest financing pushed U.S. light vehicle sales to their highest level of the year in August. However, most car buyers flocking to dealerships across the nation either do not qualify for the incentives or cannot afford the larger payments that come with the shorter term 0% financing options, dealers said.

In fact, only 31% of all those who received subvented financing — or financing subsidized by manufacturers' offers — were able to take advantage of 0% deals last month, according to **J.D. Power & Associates**, the Agora, Calif.-based research group. For the most part, the tightening of credit standards across much of the industry has excluded most consumers.

For dealers, the 0% interest financing programs have proven to be especially effective, even if the majority of consumers do not qualify, because these advertised deals are drawing customers into the showroom. Once there, many of those who don't qualify for 0% are still eligible for other low-interest financing, which runs between 0.9% and 3.9% on most models. Of those who received low-interest financing in August, J.D. Power reports 29% also received a cash-back rebate.

"We're a large dealership, so we're more used to seeing larger numbers of consumers than most dealerships," said **Tom Ackerly**, finance manager, **Ray Skillman Oldsmobile-GMC**, Indianapolis. "But when 0% was introduced last year, and again this year, we saw even larger crowds coming through our doors."

General Motors Corp. was the first automaker to unveil a 0% program last fall

Continued on page 10

Rates

CALENDAR

Sept. 18 - 20: The **Institute for International Research** will hold its "Introduction to Securitization: A Beginner's Guide to ABS" at the Wyndham Bel Age Hotel in West Hollywood, Calif. 212.661.3500

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. 106, lendingintelligence.com.

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 SERVICES INC. at 800-848-0218 x291.

NEW AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	4.91	5.00	5.89	7.93	5.93
Southeast	5.05	5.22	6.22	8.36	6.21
Central Midwest	5.37	5.37	6.26	8.73	6.43
TX & Southwest	5.38	5.63	7.24	10.06	7.08
Western	5.05	5.27	6.38	8.52	6.31
Northwest	5.73	6.29	7.27	9.41	7.17
Tier Avg. Rate	5.25	5.46	6.54	8.83	6.52

USED AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	5.04	5.13	5.94	8.09	6.05
Southeast	5.24	5.40	6.38	8.55	6.39
Central Midwest	5.60	5.60	6.38	9.00	6.65
TX & Southwest	5.58	5.90	7.46	10.20	7.28
Western	5.13	5.35	6.53	8.59	6.40
Northwest	5.73	6.29	7.30	9.42	7.18
Tier Avg. Rate	5.39	5.61	6.67	8.97	6.66

Source: Informa Research Services Inc., 800-848-0218 *as of 9/05

Comings & Goings

BUCKINGHAM NAMED NEW HYUNDAI FINANCE V.P.

William Thaxton, president and chief executive at **Hyundai Motor Finance Co.**, has hired **Michael Buckingham**, who will serve the company as a vice president.

Buckingham arrives at HMFC from **Bank One Credit Co.**, where he spent five years in that company's Phoenix office. Prior to that, Buckingham served 10 years with **Chrysler Financial Co.**, as well as seven years with **Citicorp Acceptance Corp.**

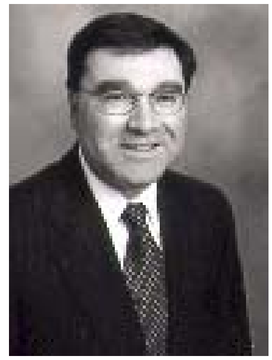
While HMFC did not return calls seeking comment by press time, an internal memo about the hiring — a copy of which was obtained by *Auto Finance News* — stated that Buckingham will be responsible for the operational side of HMFC, and have **Kirk Manning**'s Credit Services group; **James Ponzo**'s Servicing, Scorecard and Business Systems group; **Cliff Moffitt**'s Collection group; and **Linda Carter**'s training area reporting to him.

The appointment comes just weeks after HMFC inked a multi-year outsource staffing deal with **Onstaff Inc.**, the Burbank, Calif.-based staffing company, to support 75 positions. According to the agreement, OnStaff will provide skilled employees to HMFC to meet the needs of several departments, including collections, customer service, repossession, bankruptcy, and title and accounts payable.

SHEBESTA TAPPED TO CO-HEAD IARA TECHNOLOGY COMMITTEE

Tarry Shebesta, president of **Automobile Consumer Services Inc.**, a Cincinnati-based online leasing company, was recently named co-chairperson of the Vehicle Remarketing Technology Committee for the **International Automotive Remarketers Alliance** (IARA).

The IARA is a remarketing industry trade group that offers members information on regulations, technology and other issues. Members include representatives from the automotive financing arms of **American Honda Motor Corp.**, **American Suzuki Motor Corp.**, **AmeriCredit Corp.**, **Bank of America Corp.**, **Household International Inc.**, and **Wells Fargo & Co**.



Tarry Shebesta, ACS

The Vehicle Remarketing Technology Committee was created to explore current and new technologies that may be applied to the remarketing industry. Also on the committee are representatives from **Driveitaway.com**, Philadelphia, and **AutoTradeCenter.com**, Scottsdale, Ariz., which are both online remarketing information sources.

At the next meeting of the IARA, slated for Sept. 12 (after *AFN*'s deadline), Shebesta said he plans to begin pushing his agenda of technology to assist in used-car leasing activity.

[See page 8 for a detailed Q&A with Shebesta.]

HELP WANTED: IARA SEEKS EXEC

The **International Automotive Remarketers Alliance** (IARA) is continuing its search for a new executive director, following the resignation earlier this year of **Chuck Parker**, who was also the founder of the trade group. Those interested should contact **Dave Langley**, who currently serves as both acting director and head of the search committee, at 310.796.4591.

Techniques

RISK STRATEGIES FOR LENDERS TO IDENTIFY DEALERSHIPS' DECEPTIVE PRACTICES

In a recent study conducted by **TowerGroup**, entitled "Consumer Credit: Risky Business", the Needham, Mass.-based consultancy identified several techniques useful in combating a number of fraud schemes that plague automotive financiers.

Essentially, TowerGroup said management of information on loans closed by dealers, available at large lenders and through originating systems designed for third-party channels, can help reveal patterns and address fraud risk.

To combat a wide variety of schemes, the study suggests auto financiers that employ automated decisioning systems (ADS) use ones that offer fraud-detection capabilities. A fraud detection component would automatically flag suspicious patterns, which can then be investigated by a company's compliance department.

For example, the study showed that more dealerships that apply for credit through an automated system are becoming better at manipulating the technology, ensuring that all of their customers are granted credit, including those who should not.

To counteract this ploy, TowerGroup suggests lenders purchase ADS technology that identifies and reports unusually high application-booking rates by dealerships — data that can be investigated by the fraud detection officers at the lender.

Dealerships have also been known to sell fictitious cars and to have loans approved for consumers who did not apply for them. As **Christine Pratt**, the TowerGroup consultant who authored the report, explained, as auto loans are secured lending, the dealership gains up to four months of improved cash flow before the lender's monitoring system detects the pattern.

"If you sell a car that doesn't exist, and get that loan approved, it takes time for the bank to actually start billing the customer," she explained. "Then, there's the added time when the customer ignores the bill, thinking it was a mistake, then collections efforts. In these cases, it's usually a dealership that is going under, or doing this on a large scale before going offshore."

Pratt encourages institutions that specialize in lending to car buyers through dealerships to spot check — contact the borrower directly — after the loan is closed.

Meanwhile, the study flagged overstatement of collateral valuation — which can result in a customer receiving a higher down payment, or qualifying for a lower rate — as another growing problem. Pratt said that this type of fraud is more easily counteracted by automation of the value guides in most rules-based decision engines, which will flag unusual patterns.

Rumblings

CIRCUIT CITY INVESTORS GIVE CARMAX SPIN-OFF THUMBS UP

Capitalizing on the positive performance of its **CarMax Auto Superstores** subsidiary, parent **Circuit City Stores Inc.** will go ahead with its planned spin-off of the auto-retailing unit.

Shareholders of Circuit City Stores approved the spinoff of CarMax into a fully independent entity at a special meeting held in early September in the Richmond, Va., headquarters of both companies. Launched in 1993, CarMax now boasts a national chain of 38 stores in 12 states that specialize in used vehicles. It also has 18 new-car franchises. At the launch, Circuit City issued stock for 36% of the company, maintaining control of the other 64%.

While specifics of the plan weren't available at press time, under the proposed terms of the deal, the holders of CarMax stock would exchange it for shares of **CarMax Inc.**, the new name of the new company, in a tax-free transaction.

Simultaneously, holders of Circuit City stock would receive a fraction of a share of CarMax Inc., for each share of Circuit City stock. Upon the split, CarMax would become a separate publicly traded company. Circuit City first announced plans to split off CarMax in February.

Steve Baumgarten, an equities analyst for **Parker/Hunter Inc**., a Pittsburgh-based investment bank and brokerage, said while Carmax's earnings over the past few years had been lackluster, the company's improved performance last year, and through 2002, indicated that it has gained the ground needed after being in the red for many years, while also adding new stores — two elements it needed to survive on its own.

Most recently, CarMax reported that for its fiscal quarter ended May 31, 2002, total sales rose 14% to $1 billion from $879 million in the same period last year. Furthermore, the company reported net income rose 10% to $29.2 million for the quarter, from $26.6 million for the same quarter last year. It attributed its better perfomance to higher car sales and the opening of more stores.

Baumgarten added that considering the recent success, Circuit City was most likely looking to capitalize on some of those profits and turn them over to investors.

Going forward, CarMax officials wasted no time in attacking the competition, claiming its own F&I practices were more customer-friendly than those of traditional dealers.

CarMax assailed its competition for the frequent offering of inflated financing terms to customers, for not clearly separating components of the financing transaction, for paying sales and F&I personnel higher commissions for negotiating higher prices, and for steering customers to vehicles with higher gross margins.

CarMax says its sales consultants are paid a fixed-dollar amount per vehicle sold, offer low fixed prices on extended warranties and review separately all terms, rates and options with customers, rather than in a lump-sum manner.

CarMax uses as F&I providers an in-house lending unit; **Bank of America Corp.**; and the captive financing arms of six automakers with which it has franchises — **General Motors Corp., Ford Motor Co., DaimlerChrysler AG, Nissan Motor Co., Toyota Motor Corp.,** and **Mitsubishi Motors Corp**.

Its nonprime lenders include **TransSouth Financial Corp.**, **Wells Fargo Financial Acceptance Inc.**, and **AmeriCredit Corp.**

A CarMax spokesman said the company plans to open 22 to 30 stores over the next four years. A leading dealer of new and used cars stores around the country, CarMax likes to emphasize its position as a used-car superstore, it boasts a huge inventory of some 15,000 cars of numerous makes at comparatively economical, no-haggle prices, a five-day/ 250-mile money-back guarantee and 30-day limited warranty on sold models.

In its quarterly statement, the company estimated the separation costs will total some $8 million, or $0.08 per CarMax Inc. share, for the full year, with approximately $6 million of those costs occuring this current quarter.

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CHRYSLER (2002 MODEL INCENTIVES)

Model	Cash Back	26 Mos.	48 Mos.	60 Mos.
300M	$2,000	0.0%	0.0%	0.0%
Concorde	$2,000	0.0%	0.0%	0.0%
PT Cruiser	$1,000	0.0%	2.9%	3.9%
Sebring	$1,000	0.0%	0.0%	0.0%
Town & Country	$2,500	0.0%	0.0%	0.0%
Voyager	$2,500	0.0%	0.0%	0.0%

MITSUBISHI (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mos.	48 Mos.	60 Mos.
Diamante	$3,000	0.0%	0.0%	0.9%
Eclipse	$1,750	0.9%	0.9%	1.9%
Eclipse Spyder	—	2.9%	2.9%	3.9%
Galant	$2,000	0.9%	0.9%	1.9%
Lancer	$1,000	1.9%	1.9%	2.9%
Mirage	$2,000	0.0%	0.0%	0.9%
Montero	$3,000	0.0%	0.0%	0.9%
Montero Sport	$2,500	0.0%	0.0%	0.9%

FORD (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
Windstar	$3,500	0.0%	0.0%	0.0%
F-150 (not Super Crew)	$2,500	0.0%	1.9%	2.9%
F-150 Super Crew	$2,000	0.0%	1.9%	2.9%
F-Series Super Duty	$500	0.0%	3.9%	5.9%
Expedition	$2,500	0.0%	2.9%	3.9%
Explorer	$2,500	0.0%	0.0%	0.0%
Explorer (Sport)	$3,000	0.0%	0.0%	0.0%
Explorer (Sport Trac)	$2,000	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	$2,000	0.0%	0.0%	0.0%

GENERAL MOTORS (2002 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
Prizm	$3,000	1.9%	1.9%	2.9%
Cavalier	$2,500	1.9%	1.9%	2.9%
Sunfire	$2,500	1.9%	1.9%	2.9%
Camaro	$3,000	1.9%	1.9%	2.9%
Firebird	$3,000	1.9%	1.9%	2.9%
Corvette	—	1.9%	1.9%	2.9%
Alero	$3,000	1.9%	1.9%	2.9%
Grand Am	$3,000	1.9%	1.9%	2.9%
Malibu	$3,000	1.9%	1.9%	2.9%
Impala	$2,500	1.9%	1.9%	2.9%
Century	$3,000	1.9%	1.9%	2.9%
Monte Carlo	$2,500	1.9%	1.9%	2.9%
Grand Prix	$3,000	1.9%	1.9%	2.9%
Intrigue	$3,000	1.9%	1.9%	2.9%
Regal	$3,000	1.9%	1.9%	2.9%
Bonneville	$3,000	1.9%	1.9%	2.9%
LeSabre	$3,000	1.9%	1.9%	2.9%
Park Avenue	$3,000	1.9%	1.9%	2.9%
Aurora	$3,000	1.9%	1.9%	2.9%
S-10 (all models)	$3,000	1.9%	1.9%	2.9%
Sonoma	$3,000	1.9%	1.9%	2.9%
Silverado	$2,000	1.9%	1.9%	2.9%
Sierra (not crew)	$2,000	1.9%	1.9%	2.9%
Avalanche	$2,000	1.9%	1.9%	2.9%
Tracker	$3,000	1.9%	1.9%	2.9%
Blazer (all models)	$2,500	1.9%	1.9%	2.9%
TrailBlazer	$2,000	1.9%	1.9%	2.9%
TrailBlazer EXT	$2,000	1.9%	1.9%	2.9%
Envoy (GMT360)	$2,000	1.9%	1.9%	2.9%
Envoy XL	$2,000	1.9%	1.9%	2.9%
Bravada	$2,000	1.9%	1.9%	2.9%
Aztek	$3,000	1.9%	1.9%	2.9%
Rendezvous	$3,000	1.9%	1.9%	2.9%
Tahoe	$2,000	1.9%	1.9%	2.9%
Yukon	$2,000	1.9%	1.9%	2.9%
Venture	$4,000	1.9%	1.9%	2.9%
Silhouette	$4,000	1.9%	1.9%	2.9%
Montana	$4,000	1.9%	1.9%	2.9%
Astro (All Models)	$3,000	1.9%	1.9%	2.9%
Safari (All Models)	$3,000	1.9%	1.9%	2.9%

DEALERS DEMAND MORE

continued from page 1

funding speed are the most important issues with us, because you can get an awesome rate, but if they don't pay off for weeks, where does that leave you?"

Lending rates are converging for several reasons this year. Rates have fallen in all sectors as the Federal Reserve Board has cut its overnight lending target 11 times and 425 basis points to 1.75% over the past two years to stimulate the economy. That decline in the underlying cost of credit has allowed car makers to offer 0% financing. At the same time, financiers have tightened their lending standards to protect themselves against the rising default rates characteristic of a declining economy. As a result, the pool of borrowers, or qualified borrowers, is now much smaller.

Even so, interest rates are still the number-one driver for dealers who also have to keep their prices low to compete.

"Other factors are important," said a finance manager at **Folsom Lake Ford**, a dealership in California, "but really, when I call, whoever gives me the best rate is going to get the business."

At **Ray Skillman Oldsmobile-GMC in** Indianapolis, where the motto is "Where We Stack 'Em Deep, and Sell 'Em Cheap", Dan Johnson, finance manager said, "Rate terms are the most important consideration, because they have to be."

There are, however, many dealers faced with increasing parity of pricing that are looking for, and demanding, more.

Not surprisingly, relationships are becoming more of a factor, because finance managers not only want to get the best rates on prime paper, but they want to ensure their lenders will do the right thing with non-prime business as well.

"We send most of our business to lenders who buy deep, because we have more leverage," said **Anthony Hilger**, finance manager at **Van Chevrolet & Cadillac**, based in Kansas City, Mo. "It's good to having a working relationship with your lenders, but everyone gets greedy, and you have to check them.

"You do this by sending them something they don't want to contract and making them buy it," explained Hilger. "You keep sending one company like $20 million worth of prime loans, hell anyone would take that. But we also need someone to do the bad paper [or nonprime loans]."

Other dealers, with less nonprime borrowers, look for other concessions. from their lenders. In general, auto

Continued on page 12

Q&A

USED-VEHICLE LEASING GAINING MOMENTUM, EXPERT SAYS

Used car leasing, virtually unheard of just a few years ago, is attracting more consumer interest these days, primarily because the condition and engineering quality of pre-owned vehicles today is so much better than it was in the past.

Meanwhile, as residual values fall due to the growing number of used cars available, leasing pre-owned vehicles is becoming an increasingly attractive alternative for disposing off-lease vehicles. Auto Finance News *recently spoke with* ***Tarry Shebesta****, president of* ***Automobile Consumer Services Inc.****, a Cincinnati-based online leasing company, to discuss this emerging trend. Shebesta said used vehicle leasing will be a priority in his new role as co-chairperson of the Vehicle Remarketing Technology Committee of the* ***International Automotive Remarketers Alliance*** *(IARA).*

Auto Finance News:What is driving this trend?

Tarry Shebesta: To a retail customer, it's becoming more popular because of pricing. For lenders, it's becoming an increasingly attractive alternative of disposing of a used vehicle at, or close to, the maximum amount of return.

[Manufacturers project to get a certain amount for each vehicle, including the lease payments and money should the consumers buy that car at the end of the lease term. Should the consumer not purchase the car, the manufacturer must dispose of that vehicle, usually through auction, often not realizing the car's full residual value, and incurring a loss.]

AFN: Which manufacturers are interested?

TS: It's only been recently that manufacturers, captive-finance companies, and the major national independent lenders, have started to express real interest. To name a couple, **BMW of North America LLC** and Toyota Motor Co.'s Lexus are very interested, especially since certification programs now exist.

AFN: What else is motivating the lenders?

TS: As we've seen, 0% financing, and other factors, have helped sustain high new car sales. More consumers take advantage of these opportunities, rather than purchase their vehicles at the end of their leases. This hits the residual value of these vehicles by driving down the prices of used cars. So, the manufacturers are not getting what they thought they would from auction. We believe the auction should be the last resort, and other methods, such as used car leasing, can recoup some of that value.

AFN: Elaborate on the fluctuation of residuals.

TS: Residuals, the value the vehicle retains as time goes by, had, in my opinion, been inflated for quite some time. However, as residuals are now much lower, back into line where they should have been all along, it's much more price competitive to lease a used car. The bottom line is that a lease payment on a pre-owned vehicle, with residuals in line, is almost always going to be much lower than a new car finance payment.

AFN: Then how do automakers and their captive-finance companies fit in?

TS: Traditionally, there wasn't a big push by manufacturers, because when they sold a new car, they were done. However, as they've become more involved in leasing, they now need an effective alternative to dispose of their off-lease cars, and many are expressing interest.

AFN: What are the differences in a used car lease, as opposed to a new car lease?

TS: In most cases, and it depends on the lender, they are virtually identical.

AFN: Virtually?

TS: The terms will usually be similar. However, most lenders limit how far back you can go, in terms of model year. The payments, obviously, are much lower, and while we don't recommend a consumer put money down on a lease, the up-front fees and payments are lower.

AFN: What other differences are there in new and used car leasing, in general?

TS: Banks, which traditionally have shied away from new car leasing, seem to be more accepting of the idea of used car leasing. When a leased used car comes to the end of its term, there is more of a potential for the buyer to purchase the car, simply because the price is so much lower. Also, the residual value depreciates slower. You don't get that heavy hit on depreciation during the first few years as you do when you lease a new car.

Full
Page
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BIG 3 SALES

Coming off the auto industry's best August on record, here are some sales metrics for the Big 3 for last month.

General Motors Corp.

Overall sales rose 18% to 492,434 vehicles, as compared with 403,256 last year.

Ford Motor Co.

Overall sales climbed 12.1% to 365,406 cars and trucks, as opposed to the 325,943 sold in August of last year.

DaimlerChrysler AG's Chrysler Group Inc.

Overall sales increased 24% on sales of 210,855 units for August, up from 164,555 units sold a year earlier.

PROJECTIONS FOR 2002

Many industry experts are revising their annual expectations on U.S. auto sales northward to around 16.8 million for 2002. So far, including the 1.69 million vehicles sold in August, year-to-date U.S. sales of 11.7 million outpaced the 11.5 million sold through August of last year.

0% DRIVING RECORD SALES

continued from page 1

after the already sputtering economy worsened, following the Sept. 11 terrorist attacks. **Chrysler Corp.** and **Ford Motor Co.** soon followed. All three recently extended their 0% financing campaigns, as well as offering the program on many 2003 model vehicles.

Zero-percent works like a magic number capturing consumers' attention and luring them down to their local dealerships, said **Robert Schnorbus**, chief economist at J.D. Power.

This past month, U.S. light vehicle sales grew 13%. According to **AutodataCorp.**, a Woodcliff Lake, N.J., company that tracks sales, the seasonally adjusted annualized rate (SAAR) for August was 18.68 million vehicles, an increase of approximately 13.8% from the 16.41 million vehicles in August of last year, making it not only the highest level of 2002, but the strongest August on record.

J.D. Power puts the actual units sold in August at 1.69 million. As for financing, the research outfit estimated the industry average total of cash-plus-interest subvention stands at some $1,400 per vehicle for the past two months.

Due to strong summer sales, J.D. Power revised its 2002 forecast to 16.8 million units, up from the 16.5 million previously expected. Some 17.4 million vehicles were sold in 2000, the best year on record; and 17.1 million in 2001.

It is no coincidence that strong August numbers — which follow July's 8.2% gain to a SAAR of 1.52 million — follow automakers relaunching of the interest-free programs. The deals had a similar effect last fall and helped the industry shake off disappointing May sales, which were 6% lower than the year-previous period and the less-than-expected 1.6% increase in June.

"It's become more of a marketing technique than anything at this point, and is very expensive for the industry, but it's a way of doing business," said **Tony Langan**, senior vice president at **Chase Auto Finance**, the auto lending arm of **JP Morgan Chase & Co.** "When they get to the dealership, often the first thing they want to know about is the financing deals available."

Meanwhile, dealerships such as **Rick Case Acura/Hyundai**, Fort Lauderdale, Fla., welcome the flood of showroom foot traffic.

"Our main manufacturers don't offer 0%, but the deals are available on other cars we sell, such as Mitsubishi," said **Rick Case**. "It's true that a lot of the people who come in interested don't qualify, but it's motivating them to visit the dealership. In fact, we were able to sell 1,033 Hondas in August, which is more than any dealer anywhere has ever sold in one month." **American Honda Motor Co.** does not offer 0%.

While 0% financing is still very popular, and more people are taking advantage of it, fewer people are actually eligible for the programs than when they were first introduced last year.

"Fewer people are qualifying for 0% financing because lenders are just not as generous with the credit standards as they were in the past," said **Thomas Wolfe**, president and chief executive of **WFS Financial Inc.**, Irvine, Calif. Wolfe explained that the recent recession drove delinquencies higher as consumers struggled to pay their bills on time — an effect still being felt by lenders.

A spokeswoman for GM said the company bases its 0% credit decisions on several factors, such as credit score, income, and more.

Furthermore, the GM spokeswoman said even many who meet the criteria cannot swing the larger payments that come with a 36-month loan and would prefer to pay 1.9% or 2.9% on loans with 48-month or 60-month terms, which significantly lowers monthly payments.

Though 0% is fueling record sales, many in the industry wonder how long the manufacturers can continue to keep eating the costs of the programs. Dealers, though, aren't complaining.

"Listen, 0% is helping bring the consumers in, and it's helping us sell between 600 and 700 cars a month," said Tom Ackerly, the finance manager from Ray Skillman Oldsmobile-GMC. "But we're not worried if it ends, because when it ends, they'll come up with something else. They always do."

Conference Update

RECORD ATTENDANCE EXPECTED AT UPCOMING AUTO FINANCE SUMMIT

Registrations and exhibition reservations for the Auto Finance Summit 2002, an event sponsored by *Auto Finance News*, have already exceeded 2001 levels, according to event organizers.

As of Sept. 10, more than 200 people and 30 exhibitors were expected at the conference, which will take place Oct. 27 to 29 at the Venetian Resort Hotel Casino in Las Vegas.

"We are pleased with the response so far," said **JJ Hornblass**, the event chairman. "We have designed the event to help financiers position their credit operations for 2003 and beyond. Today's complex market dynamic necessitates an even more dedicated look at what the future holds. The strong registration levels are a sign that lenders are taking this task seriously."

More than 20 top-level executives are expected to address the summit, mainly in panel discussions. One exhibitor executive said his company had signed up for the summit because its program has "the most 'meat and potatoes' I have ever seen on an auto finance conference."

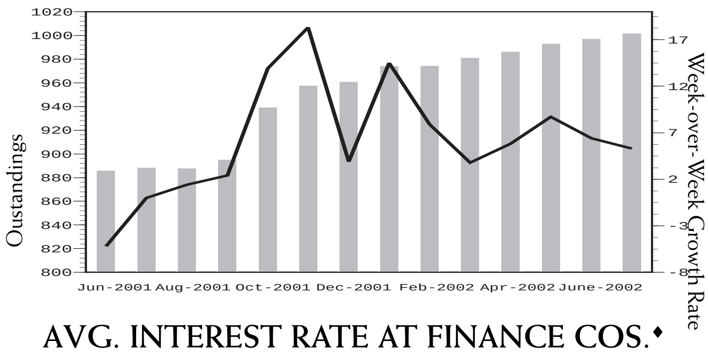
Among the companies sponsoring this year's summit are: **London Bridge Group, Experian, Household International,** *Loan Collections & Technology*, *Automotive News*, **Silanis, Wells Fargo & Co., PDP Group Inc.**, *CarLaw*, **American Modern Insurance**, and **Syncata**. Among registrants, there is a notable contingent of credit union officials who will be attending the conference.

"We are in the unique position that we can embrace all facets of this diverse industry at this event, without bias toward bankers or captives," Hornblass said. "We take this responsibility seriously. There are many pressing issues facing all members of the auto finance business, the lifeline of perhaps our nation's most important industry. When every group within the auto finance community comes together, the broadest breadth of knowledge can be exchanged. And that is to the direct benefit of attendees, exhibitors, their companies, and most importantly, consumers."

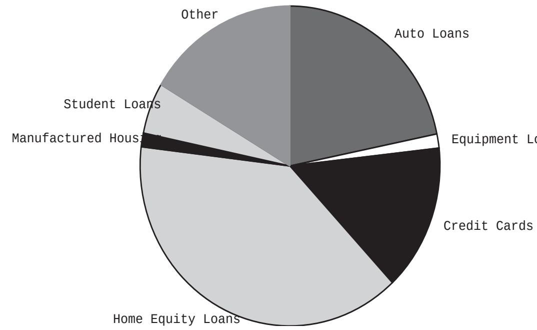
To register for the Auto Finance Summit 2002, call 800-320-4418 x106 or visit www.lendingintelligence.com.

MARKET MONITOR

BANKS' NONREVOLVING LOAN OUT.*

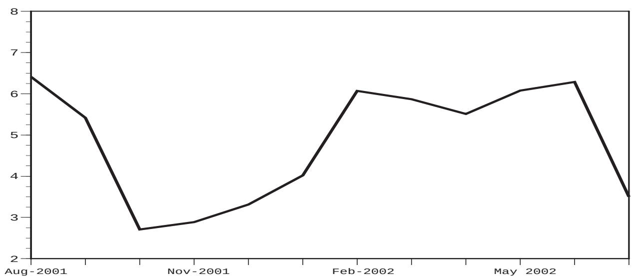


ASSET SECURITIZATION BY SECTOR

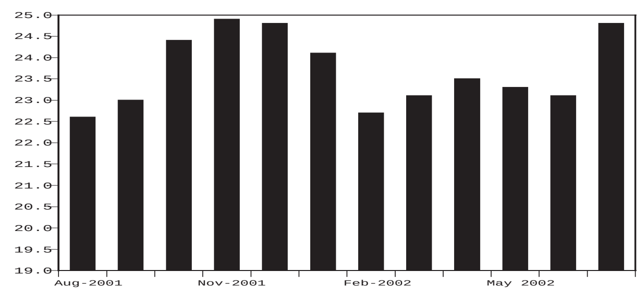


Type	'02 YTD (%)	'01 YTD (%)
Auto Loans	21.80	23.99
Equipment Loans	1.43	2.06
Credit Cards	14.84	20.32
Home Equity Loans	38.83	27.23
Manufactured Housing	1.42	1.39
Student Loans	5.19	4.05
Other	16.50	20.96

AVG. INTEREST RATE AT FINANCE COS.♦



LENDING VOL. AT AUTO FINANCE COS.♦



*In $billions
♦Includes data from Ford Motor Co., General Motors Corp., and DaimlerChrysler AG.
Source: Federal Reserve Board

NEW CAR LENDING AT FINANCE COS.♦

Average Maturity*

Feb.	March	April	May	June	July
56.4	56.4	55.9	57	58.6	59.1

Average Loan-to-Value Ratio

Feb.	March	April	May	June	July
89	90	93	92	92	95

* in months
Source: Federal Reserve Board

SECURITIZATION SCOREBOARD

Date	Seller/Servicer	Lead Manager	Amount ($M)	Enhancement
8/8	WFS Auto	Salomon Smith Barney	1,249.3	senior-sub
8/8	AmeriCredit Auto Trust	CSFB/Barclays Capital	1,300	FSA
8/14	Triad Auto	BofA Securities	826	AMBAC
8/15	Mitsubishi Motors	Salomon Smith Barney	594.8	senior-sub
8/21	Household Auto	Barclays Capital	1,200.4	AMBAC
8/22	Ford Auto	Merrill Lynch/Salomon Smith Barney	2,999.7	senior-sub

DEALERS DEMAND MORE

continued from page 7

Meanwhile, finance companies have been steadily moving into higher credit tiers over the last two to three years. In order to amass notable market share, financiers must become preferred lenders for dealers.

"All of these factors count, from pricing to turnaround," said the F&I manager at **Greenbrier Olds-GMC-VW-Kia**, a dealership in Chesapeake, VA. "It's how they buy the deal, their structuring. For example, if you respond in five minutes, but turn everything down, we're not going to go with you. It's whoever buys the deepest and the longest and at the best rate. It's like baking a cake. You need all the ingredients."

Full Page 4-color Triarc Ad (NEW AD)

Full

Page

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Placement

RECENT PERFORMANCE OF PUBLICLY TRADED AUTO FINANCE COMPANIES

Company	Ticker Symbol	Price 9/09	Price 7/29	% Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out.*	Mkt.Cap.*	Avg Vol*
AmeriCredit Corp.	**ACF**	**13.060**	**19.050**	**-31.4**	**3.4**	**46.930**	**9.250**	**85,500**	**1,116,630**	**2,886**
Asbury Automotive Grp. Inc.	ABG	11.370	12.060	-5.7	10.2	22.450	9.520	34,000	825,692	106
AutoNation Inc.	AN	13.150	13.240	-0.7	14.6	18.730	7.750	318,300	4,185,645	1,265
CarMax Group	KMX	19.500	18.960	2.8	22.6	34.000	9.200	37,100	723,450	744
Consumer Portfolio Services	CPSS	1.900	1.750	8.6	1.9	3.810	1.010	20,400	38,760	n/a
Credit Acceptance Corp.	CACC	10.050	9.300	8.1	13.7	14.950	7.120	42,400	426,120	38
FirstCity Financial Corp.	FCFC	1.000	1.150	-13.0	n/a	2.000	0.400	8,380	8,380	7
First Investors Fin'l Svcs.	FIFS	2.800	3.539	-20.9	n/a	3.950	2.000	5,400	15,120	19
Household International Inc.	HI	33.750	39.850	-15.3	8.5	63.250	32.640	454,800	15,349,500	4,529
Nicholas Financial Inc.	NICK	4.150	4.400	-5.7	5.8	6.250	3.500	5,010	20,791	3
Onyx Acceptance Corp.	ONYX	3.650	4.000	-8.8	5.4	5.980	3.340	5,090	18,578	6
TFC Enterprises Inc.	**TFCE**	**1.650**	**1.420**	**16.2**	**3.3**	**2.800**	**0.700**	**11,500**	**18,975**	**19**
Union Acceptance Corp.	UACA	4.500	4.990	-9.8	32.1	8.010	3.050	31,000	139,500	26
United PanAm Financial	UPFC	6.770	6.888	-1.7	11.7	8.000	4.400	15,600	105,612	10
WFS Financial Inc.	WFSI	19.959	19.080	4.6	11.2	31.950	14.920	41,000	818,319	55

**in thousands. ** Greatest gainer and loser since Sept. 9 in boldface.*