

AUTO FINANCE NEWS



A ROYAL MEDIA GROUP PUBLICATION

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NEWS INDEX

SUMMIT page 4

Industry leaders head to Las Vegas for the Auto Finance Summit with heavy agenda.

TECHNOLOGY page 7

Credit Union Direct Lending migrates users to the web.

FRONT LINES page 8

October vehicle sales drop sharply, researcher says.

TECHNIQUES page 11

Collecting from delinquent military personnel.

DEPARTMENTS

Calendar page 2

Auto Loan Rates page 6

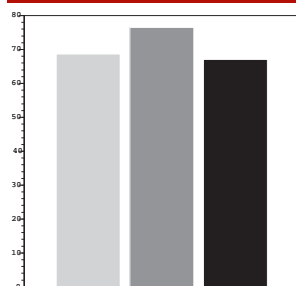
Incentives Monitor page 10

Equities Monitor page 14

Market Monitor page 16

Securizations page 16

AUTO ABS VOLUME



to date 2001 total 2001 to date 2002

in billions of \$10/18

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THE BIG CROSS-SELL: VW CREDIT OFFERS HOME EQUITY, CREDIT CARDS, BALLOONS

VW Credit Inc. has begun offering home equity loans and so-called "balloon" mortgages through the Salt Lake City bank it launched last January. Debuting two credit cards next year, the captive finance arm of Volkswagen of America Inc. is among several auto financiers looking to cross-sell financial products to their car-buying borrowers.

Operating as a web-only bank, Volkswagen Bank USA is now pitching home equity loans and balloon mortgages in Florida, Illinois, Maryland, Pennsylvania, and Vermont, mainly by contacting its base of auto-loan borrowers. The new bank, which received its Federal Deposit Insurance Corp. charter in January, also offers balloon notes in Texas.

While a balloon mortgage is amortized over 30 years at a significantly lower rate than a fixed-rate mortgage, at the end of the balloon period (for example, seven years) the loan is due, and the borrowers must either refinance or pay off the loan. Balloon mortgages are mainly for borrowers who plan to buy a larger home soon; are certain their income will increase in the future; or plan to receive a large amount of money.

Jeff M. Parent, national sales director for VW Credit, said the lender plans to roll out Volkswagen and Audi affinity, or branded, credit cards in 2003. Parent explained that all of these cross-selling initiatives are aimed at leveraging the relationship with Volkswagen

AUTO ABS VOLUME STILL ON RECORD PACE

Issuance of public auto asset-backed securitizations continued on a record pace, topping \$20 billion for the third consecutive quarter, and falling just shy of the record \$22.8 billion securitized in the first quarter.

A total of \$21.7 billion in auto ABS deals were logged during the third quarter, as compared with the \$21 billion securitized last quarter, and the \$20.5 billion for the same period last year, according to research conducted by

Momentic Research, a sister venture of Auto Finance News

The record issuance came at a time when 0% financing continued to propel sales higher, with most analysts expecting the U.S. auto industry to sell some 16.7 million light vehicles for 2002. That is off the record 17.1 million sold last year — the second best year on record next to the 17.4 million sold in

2000. Still, it is impressive considering the nation's slow economic recovery, analysts say.

It has also been the economy's anemic performance that has kept interest rates at all-time lows. The Federal Reserve Board has cut its overnight lending target 11 times and 425 basis points to 1.75% since the beginning of 2001 to pull the economy out of its slump.

That has enabled the major auto manufacturers — including General Motors Corp., Ford Motor Co., and DaimlerChrysler AG — to keep extending the no-interest financing programs they introduced in the wake of the Sept. 11 terrorist attacks last year.

Analysts say the Big 3 automakers continue to

COMINGS & GOINGS

- AutoTradeCenters gets board after Autodaq merger.
- CarMax taps Heaton for general counsel post.
- Gallon fills vacancy at Toyota Financial Services

see page 3

Continued on page 2

Continued on page 12

Growth Opportunities

CALENDAR

Nov. 14: The National Automotive Finance Association will hold a regional workshop at the Embassy Suites in Dallas.

To register: jtracey@nafassociation.com

Nov. 19-20 Leedom & Associates sponsors "Buy Here/Pay Here Training School" at the Embassy Suites Rosemont in Chicago. To register: 800.966.8733.

Feb. 9-11 Debt Buyers' Association holds its 6th Annual Conference at Caesars Palace in Las Vegas. To register: 562.903.7222 or www.debtbuyers.com.

Feb. 9-12 Strategic Research Institute holds its 10th Annual Asset Securitization 2003 Symposium at the Fairmont Scottsdale Princess in Scottsdale, Ariz. To register: www.srinstitute.com or 212.967.0095.

To have your event listed, please send detailed info to Craig McGuire at cmcguire@lroyalmedia.net or 212.564.8972 ext. 103.

THE BIG CROSS-SELL

continued from page 1

and Audi brand car owners, hoping to attract them to buy other financial products from the company.

With the addition of the bank, Volkswagen now has a new platform from which to solicit customers, pitching financial products it can only offer by holding a bank charter. In the future, said Parent, the plan is to add other banking products, such as deposit accounts.

"The motivation for establishing a bank was primarily driven by the fact that the bank can offer products that we cannot offer as an indirect finance company," Parent said.

VW Bank is targeting young, affluent professionals who are not already entrenched with a single lending institution for multiple financial services, such as student loans, car loans, mortgages, deposit accounts, and other products, Parent said.

"We are currently penetrating the Volkswagen and Audi target markets at 61% and 75%, respectively," he said. "The bank allows us to offer new products that we are confident will allow us to reach higher penetration levels."

VW Bank was conceived as a web-based banking entity, without physical branches.

"We will be developing a much greater web presence in the coming years," said Parent. "We can see the bank offering a full range of banking products, including deposit accounts, credit cards, online application and account services, to name a few."

VW Credit is not the only lender eyeing its auto loan customers for cross-selling initiatives. Whether a captive originates the loan, or a bank, indirect auto lending has traditionally



Jeff Parent, VW Credit

been viewed as a transaction product, with the customer taking the best deal regardless of the financial provider. Therefore, there has not been as much emphasis on building brand loyalty in the auto finance industry. But that is changing.

"We want the loan/lease to become a relationship product," said John Lindley, senior vice president at SouthTrust Bank N.A., Birmingham, Ala., "a product that is either a part of a continuing relationship or the beginning of a relationship."

SouthTrust has a specific banking professional dedicated to identifying and pursuing cross-sell initiatives with auto-loan borrowers in each of the major markets the regional bank serves.

"Immediately upon booking a lease, the application is filtered through an internal model to determine what product, or products, most suit the individual," said Lindley. "We then begin personal solicitation of these customers."

The opportunities are there, especially for banks as more people have drawn cash out of the stock market, said Lindley.

When the dot-com bubble burst in 2000 and the U.S. fell into a recession last year, investors began pulling huge sums of money out of securities. As a result, in 2000 The Dow Jones Industrial Average plummeted from a



John Lindley, SouthTrust

Jan. 2000 peak of 11,722 to below 8,000 in July this year. Currently, the Dow is hovering around 8,400.

"Now is a great time to initiate or leverage our cross-sell opportunities," said Lindley. "More money is coming back to banks than we have seen in years. I believe this money is only being parked and will move again when the financial markets stabilize. Now is the time to develop additional relationships. We have ignored this opportunity for far too long."

Comings & Goings

AUTODAQ/AUTOTRADECENTER MERGER PRODUCES NEW BOARD

With the merger of **AutoTradeCenter.com Inc.** and **Autodaq Corp.** finalized earlier this month, the new company's board and senior management team is now in place.

News of the deal emerged earlier this year, and the merger was approved at a special **AutoTradeCenter.com** shareholder meeting of held in Phoenix on Oct. 16.

In the transaction, **AutoTradeCenter.com** issued shares to the investors who owned the privately held **Autodaq**, said **Roger L. Butterwick**, president of **AutoTradeCenter.com**, and president of the new company. Under the agreement, **Autodaq's** investors hold 70% of the new entity's shares, while **AutoTradeCenter's** shareholders hold 30%. The market capitalization of the company is \$4.6 million.

Three members of **AutoTradeCenter.com's** board have joined the new entity's board. **Adam Boyden**, president and chief executive officer of **Autodaq**, is now the chairman of the new company.

Autodaq co-founder **Jorge Borboll** became a board member and chief information officer at the new company.

Mark Bronder, an independent investor who previously sat on **Autodaq's** board, is also on the new board, as is **M. Weldon Rogers IV**, who is also **Enterprise Rent-A-Car Co.'s** senior vice president of corporate strategy. Other board members include **R. Gary McCauley**, **A. Marvin Strait**, **L. David Sikes**, and **David Marquardt**.

The senior management of both companies will remain with the combined entity, a spokesman for **AutoTradeCenter** said.

The combined entity, called **AutoTrade Center Inc.**, is an internet-based business-

to-business automotive remarketing company, offering its services to automobile manufacturers, captive finance companies, lease and rental fleet companies, and financial institutions across the U.S.



Roger Butterwick, AutoTrade

It will retain its administrative offices and technology group in Menlo Park, Calif.; internet dealer services operation center in Mesa, Ariz.; and remarketing management, lease management; and sales and leadership-training center in Minneapolis.

CARMAX NAMES HEATON COUNSEL

CarMax Inc., Richmond, Va., recently hired **Stuart A. Heaton** as a vice president and general counsel.

Recently spun off from consumer electronics giant **Circuit City Stores Inc.**, also located in Richmond, **CarMax** is a used-car retailer with 37 used car superstores in 17 markets. **CarMax** also operates 17 new car franchises, 15 of which are integrated or colocated with its used-car superstores.

Heaton joins **CarMax Corp.**, from **Lockheed Martin Corp.** where he served as an assistant general counsel since 1997. Prior to that position, **Heaton** was vice president and general counsel for **Thomas Nelson Inc.**, a consumer product company. His prior experience also includes six years in private practice.

GALLON HIRED AT TOYOTA

Ann Gallon was hired this month as strategic information manager at **Toyota Financial Services Inc.**, Torrance, Calif.

The position had been vacant for a number of months, a company spokeswoman said.

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Auto Finance Summit '02

AFS 2002 HEADLINERS

Industry leaders speaking at the Auto Finance Summit 2002 will include:

Lee N. Ervin, president, chief executive, **Union Acceptance Corp.**

William C. Jensen, senior vice president, **Banc One Credit**

Floyd S. Robinson, president, **Bank of America Auto Finance**

C. William Thaxton, president, chief executive, **Hyundai Motor Finance Co.**

INDUSTRY LEADERS HEAD TO VEGAS FOR HIGH-STAKES TALKS

Hundreds of auto finance executives are converging on Las Vegas this week to discuss the state of the industry at the Auto Finance Summit 2002, sponsored by *Auto Finance News*.

"The biggest question on everyone's mind today is how are we going to maintain high levels of originations, year after year, especially when 0% financing eventually ends," said **Todd B. Friesner**, senior vice president at **National City Bank**, and a conference speaker.

Introduced in the wake of the Sept. 11 terrorist attacks, 0% financing proved wildly popular with consumers, boosting 2001 sales to their second highest level yet, 17.1 million, compared with 17.4 million in 2000.

This year, no-interest financing continues its run, though sales have subsided a bit, with most analysts projecting the U.S. auto industry to sell some 16.7 million light

vehicles for 2002. Eventually, though, the Federal Reserve Board is expected to raise interest rates, which will make 0% financing programs cost-prohibitive.

Growth opportunities, leasing strategies and vehicle remarketing are some of the areas targeted on the conference's agenda.

Conference organizers also said this year's event, held at the Venetian Resort Hotel Casino, will address maintaining credit quality in today's rough economic climate, complying with a growing number of federal rules and regulations, and leveraging technology to automate operations into the 21st century.

More than 320 industry professionals and 30 exhibitors are expected at the conference, which takes place this week from Oct. 27 through Oct. 29.

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Rates

Rates are for 60-month loans on 2002-2003 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.

REGIONAL AND NATIONAL AUTO LOAN RATES

NEW AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	4.58	4.66	5.56	7.78	5.64
Southeast	4.89	5.02	6.22	8.26	6.10
Central Midwest	5.12	5.15	6.04	8.37	6.17
TX & Southwest	5.11	5.40	7.06	10.02	6.90
Western	4.82	5.07	6.26	8.40	6.14
Northwest	5.36	5.90	6.99	9.30	6.89
Tier Avg. Rate	4.98	5.20	6.35	8.69	6.31

USED AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	4.80	4.91	5.86	8.17	5.94
Southeast	5.15	5.33	6.38	8.48	6.33
Central Midwest	5.31	5.31	6.15	8.64	6.35
TX & Southwest	5.37	5.69	7.33	10.21	7.15
Western	5.09	5.35	6.37	8.45	6.31
Northwest	5.45	5.95	7.04	9.36	6.95
Tier Avg. Rate	5.19	5.42	6.52	8.88	6.51

Source: Informa Research Services Inc.

*as of 10/17/02

Auto Personnel Half Page Black & White Advertisement

Technology

CREDIT UNION DIRECT MOVES ENTIRE USER BASE ONTO THE WEB

Credit Union Direct Lending has just completed migrating all of the users of its automated auto-loan decisioning system to the web-based platform the company rolled out earlier this year from the original mainframe-based version.

Launched seven years ago, the CUDL system enables credit union members to indirectly access credit-union financing at the auto dealership. Credit unions and dealers access different



Ann Harris, CUDL

interfaces to the CUDL system. Owned by a consortium of credit unions, Credit Union Direct Lending, Rancho Cucamonga, Calif., is one of the largest indirect lending networks in the U.S., representing 225 credit unions, which include more than seven million members.

Last year alone, \$2.5 billion in auto loans were electronically transacted using the CUDL system, which has 1,700 auto dealerships on its network and is available in California, Nevada, Oregon, Washington, Texas, New Hampshire, Rhode Island, and Massachusetts.

Previously, these credit unions and dealerships dialed into a mainframe located at CUDL's headquarters, and much of the referral and communication associated with exchanging the applications was done via fax machines.

Those same users now access the system over a standard internet connection with a web browser and conduct all reporting online.

Credit Union Direct Lending's migration of its CUDL system into a web-based environment was begun 18 months ago,

culminating in the opening of a data center in Sacramento and the release of the new CUDL web-based software program for credit union users this past June. The web-based software for dealers was released last year.

Credit Union Direct is banking that the migration will help speed adoption.

"The web-based architecture just offers so much more flexibility," said Ann Harris

vice president of information technology at Credit Union Direct. "A lot of credit unions in other states are interested, and the introduction of a web-based system should move things along. Due to the low interest rates on auto loans that credit unions provide consumers and members, we believe the credit unions' share of the auto-loan market will continue to increase in the future."

VENDORS CAPITALIZING ON 'PATRIOT ACT' NEEDS

TransUnion Inc., in collaboration with TFP, a division of Thomson Corp., is the latest vendor to release a software package designed to help auto financiers and other credit grantors better identify borrowers. The debut of TransUnion's software comes just as the moratorium exempting the auto finance sector from the USA Patriot Act is set to expire this month.

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 broaden the scope of the law to include some 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 for these companies to be exempt till Oct. 24, pending further analysis and review by both Treasury and FinCEN.

Douglas Koltavsky, a Denver attorney specializing in creditors' rights in the automotive lending industry, said as there has been little effort exerted to keep the moratorium in place, he expects the moratorium to expire and not be extended.

The law holds credit grantors, such as auto finance companies, to new standards of identity verification of customers and business partners to ensure credit and financial services are not extended to known terrorists, drug traffickers, or money launderers. Under the legislation, auto dealers are also required to comply, as the loans are indirectly originated by lenders through their companies.

Credit grantors that fail to comply with regulations from the Office of Foreign Assets Control (OFAC), a division of the Treasury, can be liable for both federal criminal and civil penalties. These penalties can

Continued on page 14

Front Lines

OCTOBER LIGHT-VEHICLE SALES SLUMP ON LOWER INCENTIVES, J.D. POWER REPORTS

A drop-off in manufacturers' incentives is pushing October vehicle sales downward, said J.D. Power and Associates

With the average total of cash-plus-interest subvention lower—now at approximately \$1,200 per vehicle compared with \$1,480 in late August—many consumers are waiting for better deals before purchasing a new car, said the Westlake, Calif.-based research company in a report.

New vehicle sales through the second week of October were down 12% from the middle of last month, and off 30% percent compared with the same period last October. While sales are expected to pick up slightly during the remainder of the month, October sales are projected to come in at an annualized rate of 15.5 million. Actual units sold in October are

expected to reach 1.3 million, according to the J.D. Power report. September ended with actual sales of 1.2 million, an

annualized rate of 16.3 million units. J.D. Power still expects 2002 light-vehicle sales to hit 16.8 million.

J.D. BYRIDER INSTALLING DECISIONING TECHNOLOGY

Used car giant J.D. Byrider is rolling out Monetricks Inc.'s Credit Module to automate the underwriting process for loans to borrowers with poor credit, made through its franchise dealerships.

Based in Carmel, Ind., and wholly owned by Byrider Franchising Inc., J.D. Byrider includes a network of more than 130 franchise dealerships in more than 30 states. Monetricks's solution will automate the processing of credit applications submitted by those dealerships to J.D. Byrider, which indirectly funds the loans via its CarNow Acceptance Co. finance

subsidiary, also based in Indiana. All of the dealerships are expected to be using the Monetricks system by early 2003, said Peter Margaros, vice president of marketing at the vendor. Credit Module evaluates customer risk profiles, while completely replicating the credit underwriting process, Margaros said.

The J.D. Byrider win for Monetricks comes just weeks after the vendor inked a deal with World Omni Financial Corp. Last month, Omni, the Deerfield Beach, Fla.-based auto finance company, announced plans to install Monetricks's system to link it to the dealers it funds.

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INCENTIVES MONITOR

FORD (2003 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
Windstar	\$2,500	0.0%	0.0%	0.0%
F-150	\$1,000	0.0%	2.9%	3.9%
F-250 Super Duty	\$1,000	0.0%	3.9%	5.9%
F-350 Super Duty	\$1,000	0.0%	3.9%	5.9%
E-Series	\$2,000	0.0%	2.9%	3.9%
Explorer	\$1,500	0.0%	2.9%	3.9%
Explorer (Sport)	\$1,500	0.0%	2.9%	3.9%
Explorer (Sport Trac)	\$1,000	0.0%	2.9%	3.9%
Escape	\$500	—	—	—
Taurus	\$2,000	0.0%	1.9%	2.9%
Ranger	\$1,500	0.0%	2.9%	3.9%
Excursion	\$2,000	0.0%	2.9%	3.9%
Crown Victoria	\$2,000	0.0%	2.9%	3.9%
Focus	\$1,000	0.0%	2.9%	3.9%
Mustang	\$1,000	0.0%	2.9%	3.9%

GENERAL MOTORS (2003 MODEL INCENTIVES)

Model	Cash Back	36 Mo.	48 Mo.	60 Mo.
CTS	—	0.0%	2.9%	3.9%
Deville	—	0.0%	2.9%	3.9%
Escalade	—	0.0%	2.9%	3.9%
Escalade EXT	—	0.0%	2.9%	3.9%
Seville	—	0.0%	2.9%	3.9%
Astro	\$1,500	0.0%	2.9%	3.9%
Avalanche	\$1,500	0.0%	2.9%	3.9%
Blazer	\$1,500	0.0%	2.9%	3.9%
Cavalier	\$1,500	0.0%	0.0%	0.0%
Corvette	—	0.0%	2.9%	3.9%
Express	\$1,500	0.0%	2.9%	3.9%
Impala	\$1,500	0.0%	0.0%	0.0%
Malibu	\$2,000	0.0%	2.9%	3.9%
Monte Carlo	\$1,500	0.0%	0.0%	0.0%
S-10	\$1,500	0.0%	2.9%	3.9%
Silverado 1500	\$1,500	0.0%	2.9%	3.9%
Silverado 2500	\$1,500	0.0%	2.9%	3.9%
Silverado 3500	\$1,500	0.0%	2.9%	3.9%
Suburban	\$1,500	0.0%	2.9%	3.9%
Tahoe	\$1,500	0.0%	2.9%	3.9%
Tracker	\$2,000	0.0%	2.9%	3.9%

Trailblazer	\$1,500	0.0%	2.9%	3.9%
Trailblazer EXT	\$1,500	0.0%	2.9%	3.9%
Venture	\$2,000	0.0%	0.0%	0.0%
Envoy	\$1,500	0.0%	2.9%	3.9%
Envoy XL	\$1,500	0.0%	2.9%	3.9%
Safari	\$1,500	0.0%	2.9%	3.9%
Savana	\$1,500	0.0%	2.9%	3.9%
Sierra 1500	\$1,500	0.0%	2.9%	3.9%
Sierra 2500	\$1,500	0.0%	2.9%	3.9%
Sierra 3500	\$1,500	0.0%	2.9%	3.9%
Sierra Denali	\$1,500	0.0%	2.9%	3.9%
Sonoma	\$1,500	0.0%	2.9%	3.9%
Yukon	\$1,500	0.0%	2.9%	3.9%
Yukon Denali	\$1,500	0.0%	2.9%	3.9%
Yukon XL	\$1,500	0.0%	2.9%	3.9%
Alero	\$2,000	0.0%	2.9%	3.9%
Aurora	\$1,500	0.0%	0.0%	0.0%
Bravada	\$1,500	0.0%	2.9%	3.9%
Silhouette	\$2,000	0.0%	0.0%	0.0%
Aztek	\$1,500	0.0%	0.0%	0.0%
Bonneville	\$1,500	0.0%	0.0%	0.0%
Grand Am	\$2,000	0.0%	2.9%	3.9%
Grand Prix	\$1,500	0.0%	0.0%	0.0%
Montana	\$2,000	0.0%	0.0%	0.0%
Sunfire	\$1,500	0.0%	0.0%	0.0%
Vibe	\$1,500	0.0%	0.0%	0.0%

CHRYSLER (2003 MODEL INCENTIVES)

Model	Cash Back	36 Mos.	48 Mos.	60 Mos.
300M	\$1,500	0.0%	1.9%	2.9%
Concorde	\$1,500	0.0%	1.9%	2.9%
PT Cruiser	\$1,500	0.0%	1.9%	2.9%
Sebring	\$1,500	0.0%	1.9%	2.9%
Voyager	\$2,500	0.0%	1.9%	2.9%

MITSUBISHI (2003 MODEL INCENTIVES)

Model	Cash Back	36 Mos.	48 Mos.	60 Mos.
Eclipse	\$1,250	2.9%	2.9%	2.9%
Eclipse Spyder	—	5.9%	5.9%	5.9%

Source: N.A.D.A. Appraisal Guides (www.nadaguides.com)

Techniques

HOW TO COLLECT FROM PAST-DUE MILITARY PERSONNEL

By Louis Scott Brenes

With so many military personnel as potential first-time auto buyers, borrowers in the U.S. armed forces represent an attractive niche in the auto industry. Yet, how do companies ensure that a debt will be collectible if a soldier becomes delinquent or goes overseas during times of deployment?

Gregory Edwards, strategist for auto lender Security National Automotive Acceptance Corp., Mason, Ohio, said, "We take a proactive step. What we do is educate the soldier from the get go in order to foster a healthy relationship."

As an active lender to military personnel, Security National Automotive calls every

"In short, you pay your bill or the Military Police will come knocking on your door."

Louis S. Brenes
Law Offices of Louis Scott Brenes

new customer before and after it buys the loan from the dealer, as well as after a soldier purchases a car.

"We want to insure a lifetime of good credit for the soldiers and help our servicemen understand the contract," he said, "especially if they are 19 years old and making the biggest purchase of their life."

Another strong deterrent for military personnel falling behind on loan payments is Article 15 of the Uniform Military Code of Justice, which places a high 'moral obligation,

' on the soldier to uphold a debt.

In short, you pay your bill, or the Military Police will come knocking on your door.

According to the code, a soldier cannot hide the automobile. However, from a servicing standpoint, there are several techniques that can help a debtor resume payment, before resorting to repossession, Edwards said.

"We turn to a 'coaching approach,'" said Edwards. "If we sense that our soldier is having problems, we once again help educate the soldier of money sources [alternative sources of funds to help military personnel resume paying their debts] available to him."

In fact, a military person has many avenues available to get an account out of collections. Military personnel have certain emergency relief funds available to them from the U.S. government. Further, there are debt counseling programs provided on-site at the various military bases located in the U.S. and overseas.

Brenes is a collections attorney serving the California auto finance industry and banking community. His clients include: Mitsubishi Motors Credit of America Long Beach Acceptance Corp., and USAA Federal Savings Bank

SUBSCRIPTION REQUEST

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COLLECTING THE PRE-SERVICE DEBT OF MILITARY PERSONNEL

Creditors pursuing delinquent accounts on loans that were contracted prior to a borrower's entering the military are affected by The Soldiers and Sailors Civil Relief Act of 1940, 50 US Code § 526. According to this law:

- The interest rate must be reduced to 6%. This rate is calculated from the date of active status. The serviceman must request the reduction, and show that he/she is "materially affected" by his service in the military to qualify for the reduction.
- The monthly payment is reduced to reflect the lower interest rate.
- No late charges accrue while the military person is in active status.
- The vehicle cannot be repossessed unless a civil court order is obtained.

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ABS RoundUp

RECORD SECURITIZATIONS

continued from page 1

view the ABS market as a cheaper funding alternative than the unsecured corporate bond market. With \$9.7 billion in four deals in the third quarter, the Big 3 made up 45% of the total third quarter activity.

"The growth in issuance reflects the degree to which the major auto loan originators have chosen to continue utilizing the ABS market," said Juliet Jones, an ABS analyst at Barclays Capital, the investment banking arm of Barclays PLC.



Juliet Jones, Barclays

Jones explained most auto finance companies prefer to raise capital through ABS deals rather than issuing corporate debt, because they will be able to pay lower rates of interest to investors in these ABS deals, which are secured by the underlying loans and thus considered lower risk than corporate debt.

General Motors Acceptance Corp. led the pack this time around, with \$5.2 billion securitized in two separate deals. Having slid to the No. 5 spot last quarter after dominating the first-quarter rankings, Ford Motor Credit Co. raced back up the chart during the third quarter to take over the No. 2 spot with a single deal worth \$3 billion.

Rounding out the Top 5 3Q issuers were AmeriCredit Corp. (\$1.9 billion in two deals), DaimlerChrysler AG (a single \$1.5 billion deal), and WFS Financial Inc. (a \$1.25 billion deal).

The average size of public auto ABS deals continued to fall in the third quarter. Deals averaged \$1.144 billion last quarter, compared with \$1.166 billion in the second quarter and \$1.7 billion in the first quarter. Analysts said that is because the second and third quarters did not have a mega-deal like Ford's record-setting \$5.06 billion deal in the first.

Deutsche Bank Securities Inc., a division of Deutsche Bank AG, grabbed the top spot on in the ranking of lead managers, underwriting \$6.6 billion in five deals. Salomon Smith Barney, the investment banking arm of Citigroup Inc., also topped the \$6 billion mark, with some \$6.3 billion in four deals. BancOne Capital Markets, a division of BankOne Corp. (\$5.7 billion in four deals), Credit Suisse First Boston Corp. (\$4.8 billion in three deals), and Barclays Capital (\$3.3 billion in three deals), completed the Top 5.

Continued on page 13

THIRD QUARTER AUTO-BACKED SECURITIZATION RANKINGS

RECORD SECURITIZATIONS

continued from page 12

At the end of the third quarter of this year, new supply totaled \$67 billion, slightly under the total for the same period last year. **Keith Palmer**, treasurer at WFS Financial, said he expects the flow of auto ABS supply to continue unabated at least through the end of 2002.

The supply could even top the \$90 billion mark for the year, said Jones.

As for demand, there is still plenty of appetite for these kinds of deals as individual investors and portfolio managers look for short-term, low-risk investments. It is triple-A rated, meaning it is more secure than most forms of debt other than Treasury securities. However, it pays a higher

TOP 10 ISSUERS IN 3Q				TOP LEAD MANAGERS IN 3Q				
3Q02	2Q02	Seller/Service	\$M	3Q02	2Q02	Lead Manager	Deals	\$M
1	8	GMAC	5,222	1	2	Deutsche Bank	5*	6,618
2	5	Ford	3,000	2	7	Salomon Smith B.	4*	6,345
3	1	AmeriCredit	1,900	3	-	Bank One Capital	4*	5,664
4	3	DaimlerChrysler	1,500	4	-	CSFB	3*	4,789
5	4	WFS Financial	1,250	5	5	Barclays Capital	3*	3,262
6	-	Household	1,200	6	4	Merrill Lynch	1	3,000
7	6	Nissan Motor Accept.	1,104	7	6	Lehman Brothers	1	2,183
8	10	Capital One Auto	1,100	8	3	Bank of America	2	1,831
9	2	American Honda	1,005	9	8	Wachovia	2	1,700
10	-	Triad Financial	826	10	-	Morgan Stanley	1	1,104
Total Top 10.....			\$18,107	*some deals were co-managed.				
2Q02 Top 10.....			\$15,807					

yield than do Treasuries.

"The triple-A rating guarantees payment of principal and interest," said Jones. "Auto ABS deals are rather sound, as there has been no case of a

publicly rated, triple-A deal defaulting. Simply, in the current environment, it represents a good place to park short-term cash, and that's what will continue to drive demand."

PUBLIC AUTO-BACKED SECURITIZATIONS IN 3RD QUARTER, BY DATE

Date	Seller/Service	Lead Manager	\$M	Enhancement
7/9	Onyx Acceptance Corp.	Credit Suisse First Boston	450	MBIA
7/12	DaimlerChrysler AG	Banc One/Salomon Smith Barney	1,500	senior-sub
7/16	American Honda Finance	Bank of America/Deutsche Bank	1,005	senior-sub
7/17	Long Beach Acceptance	Greenwich Capital	242	FSA
7/30	GMAC	Banc One/CSFB/Deutsche Bank	3,039	senior-sub
8/8	AmeriCredit Corp.	CSFB/Barclays Capital	1,300	FSA
8/8	WFS Financial	Salomon Smith Barney	1,250	senior-sub
8/8	Nissan Motor Credit	Morgan Stanley	1,104	senior-sub
8/14	Triad Financial	Bank of America	826	AMBAC
8/15	Mitsubishi Motors	Salomon Smith Barney	595	senior-sub
8/21	Household Automotive	Barclays/Deutsche	1,200	AMBAC
8/22	Ford Motor Credit	Merrill Lynch/Salomon	3,000	senior-sub
9/4	Capital One	Wachovia Securities	1,100	MBIA
9/6	AmeriCredit Corp.	J.P. Morgan/Wachovia	600	FSA
9/17	Hyundai Motor Finance	Barclays/Deutsche	762	FSA
9/19	USAA Federal	Banc One/Deutsche	612	senior-sub
9/26	Bayview	UBS Warburg	453	FSA
9/26	M&I Bank	Banc One Capital	513	senior-sub
9/30	GMAC	Lehman Brothers	2,183	senior-sub
Total 3Q02.....			21,734	
Total 3Q01.....			20,500	

EQUITIES MONITOR

Company	TickerSymbol	Price 10/22	Price 10/09	%Ch.	P/E	52-WkHi	52-WkLo	Shrs.Out.*	Mkt.Cap.*	AvgVol*
AmeriCredit Corp.	ACF	7.100	6.760	5.0	1.9	46.930	5.900	152,800	1,084,880	3,616
Asbury Automotive	ABG	8.900	8.400	6.0	7.9	22.450	7.550	34,000	825,692	80
AutoNation Inc.	AN	11.020	9.150	20.4	12.2	18.730	9.050	318,300	3,507,666	1,142
CarMax Group	KMX	17.500	13.710	27.6	19.7	19.000	12.900	103,100	1,804,250	1,304
ConsumerPortfolio	CPSS	1.980	1.700	16.5	198.0	3.810	1.110	20,400	40,392	11
Credit Acceptance	CACC	8.061	8.050	0.1	11.9	14.950	7.221	42,400	341,786	28
FirstCity Financial	FCFC	0.700	0.990	-29.3	n/a	1.790	0.400	8,380	5,866	6
First Investors	FIFS	2.951	3.050	-3.2	n/a	3.950	2.000	5,030	14,843	9
Household Int.	HI	28.400	22.410	26.7	7.4	63.250	20.650	454,800	12,916,320	5,793
Nicholas Financial	NICK	3.950	4.080	-3.2	5.1	6.250	3.500	5,010	19,789	3
Onyx Acceptance	ONYX	2.700	2.500	8.0	5.9	5.730	2.190	5,090	13,743	4
TFC Enterprises	TFCE	1.750	1.590	10.1	5.3	1.850	0.700	11,500	20,125	18
Union Acceptance	UACA	3.170	3.700	-14.3	21.1	7.240	3.050	31,000	98,270	14
United PanAm Fin.	UPFC	6.300	6.550	-3.8	11.1	8.000	4.400	15,600	98,280	9
WFS Financial	WFSI	19.770	17.230	14.7	9.9	31.950	16.230	41,000	810,570	53

*in thousands. **Greatest gainer and loser by percentage changes since Oct. 9 in boldface

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PATRIOT ACT SOFTWARE

continued from page 11

include criminal fines of \$10 million and civil fines of no more than \$1 million per violation.

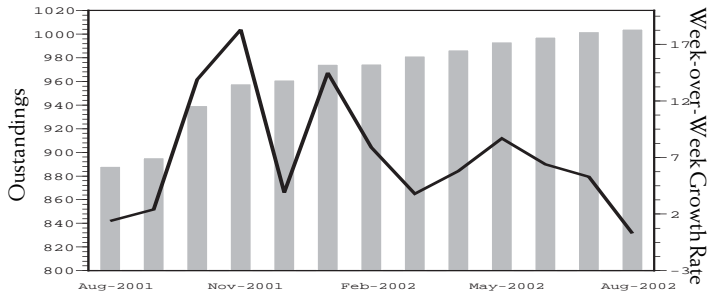
TransUnion OFAC Advisor, the new product, is a screening solution that provides credit grantors with an automatic method for checking customer names against the registry of names OFAC keeps, a spokesman for the vendor said.

TransUnion is not the only software vendor to eye the business opportunities the Patriot Act presents. Earlier this year, Experian—one of the three major credit bureaus along with TransUnion and Equifax—released its own compliance products, including OFAC Name Matching Service, which is also designed to check borrowers' names against the federal list. TransUnion also debuted National Fraud Database, an across-industry repository of known fraud records; and Authentication Solutions, for the real-time verification of so-called consumer-not-present transactions.

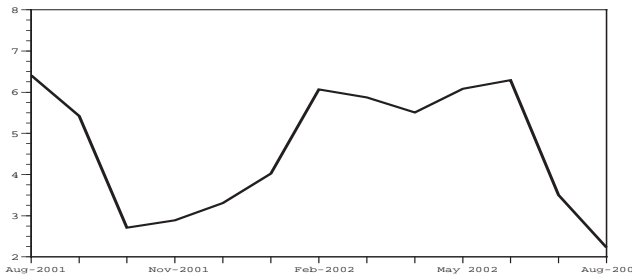
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BLACK &
WHITE,
MUST RUN
WITH A
LINE
AROUND IT**

MARKET MONITOR

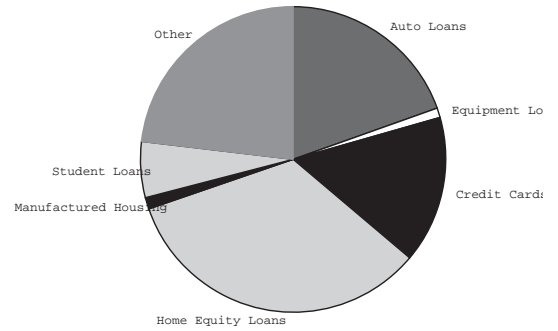
BANKS' NONREVOLVING LOAN OUT.*



AVG. INTEREST RATE AT FINANCE COS.♦

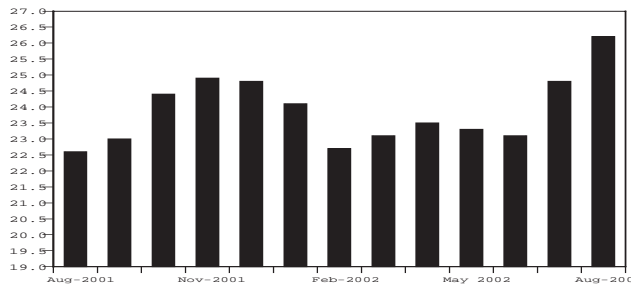


ASSET SECURITIZATION BY SECTOR



Type	'02 YTD (%)	'01 YTD (%)
Auto Loans	19.58	22.97
Equipment Loans	1.00	1.63
Credit Cards	15.61	20.11
Home Equity Loans	33.54	29.66
Manufactured Housing	1.24	1.37
Student Loans	5.89	3.17
Other	23.15	21.09

LENDING VOL. AT AUTO FINANCE COS.♦



NEW CAR LENDING AT FINANCE COS.♦

Average Maturity*					
March	April	May	June	July	Aug.
56.4	55.9	57	58.6	59.1	59.4

Average Loan-to-Value Ratio					
March	April	May	June	July	Aug.
90	93	92	92	95	96

* 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
10/10	Mitsubishi Motors Credit of America	J.P. Morgan Securities	769	senior-sub
10/10	Onyx Acceptance Corp.	Salomon Smith Barney/CSFB	450	MBIA
10/15	DaimlerChrysler AG	CSFB/J.P. Morgan Securities	2,069	senior-sub