

“Navigating the Road to BHPH Success” Six Step Approach!

Presented by:

**Kenneth Shilson, President
Subprime Analytics**

NABD

May 25, 2016



www.bhphinfo.com

Visit Booth #115



www.subanalytics.com

**“NAVIGATING THE
ROAD TO BUY HERE,
PAY HERE SUCCESS”**





Credit score ranges

Category	Score Range
Super prime	781 – 850
Prime	661 – 780
Nonprime	601 – 660
Subprime	501 – 600
Deep subprime	300 – 500

Source: Experian Automotive

Step 1

BHPH Must Regain Lost Market Share



Understanding The Auto Finance Marketplace!

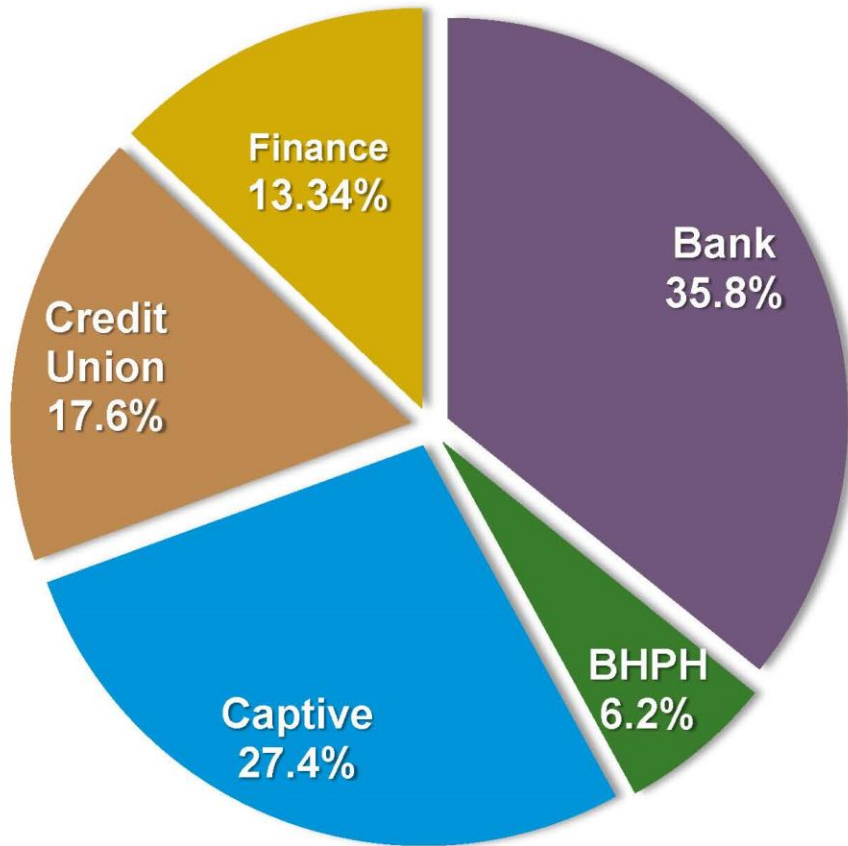


Source: Experian Automotive and Subprime Analytics

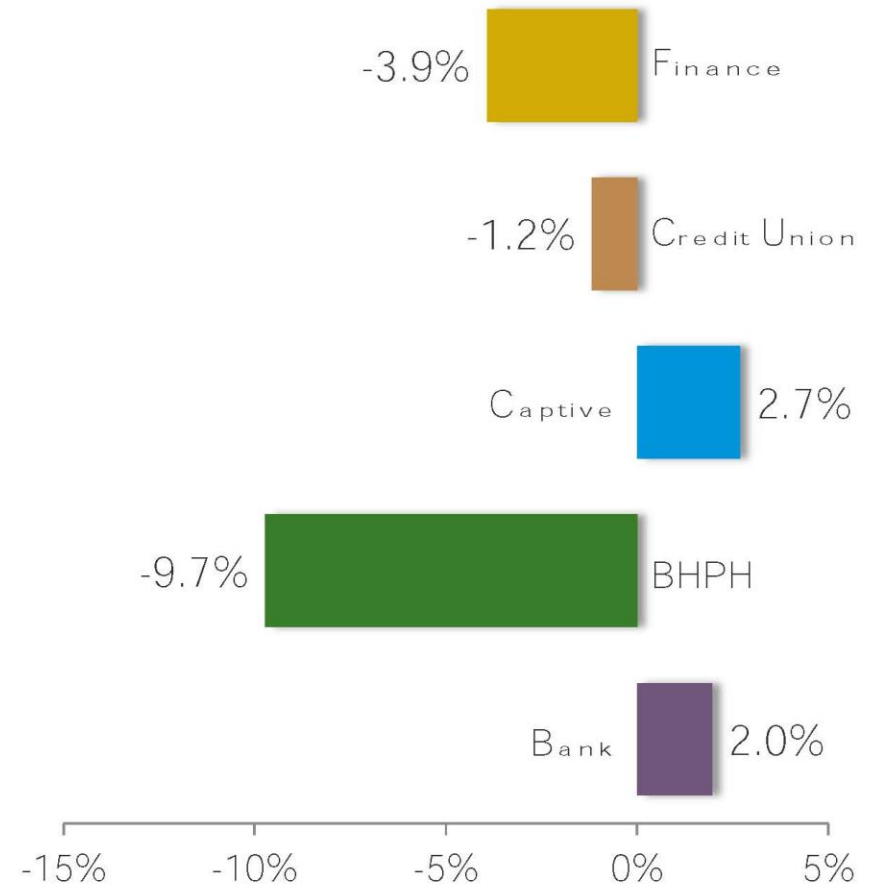


Automotive finance by lender type

Q4 2015 total loan market share



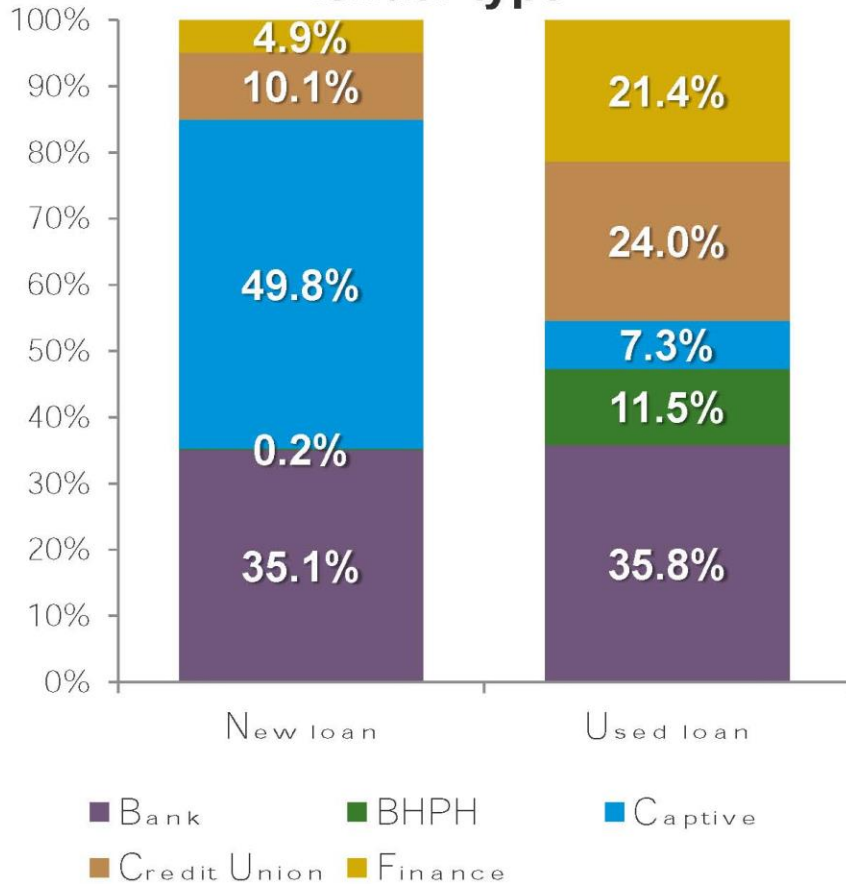
YOY change in market share



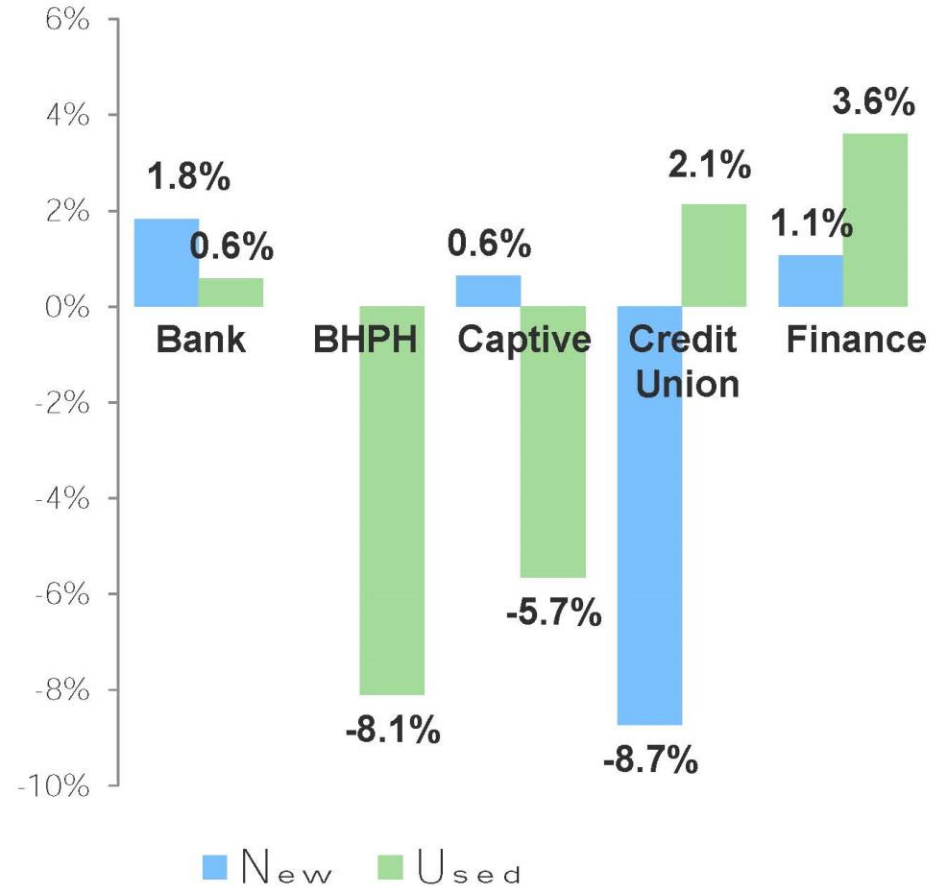


Automotive finance by lender type

Q4 2015 market share by lender type



YOY Change in market share



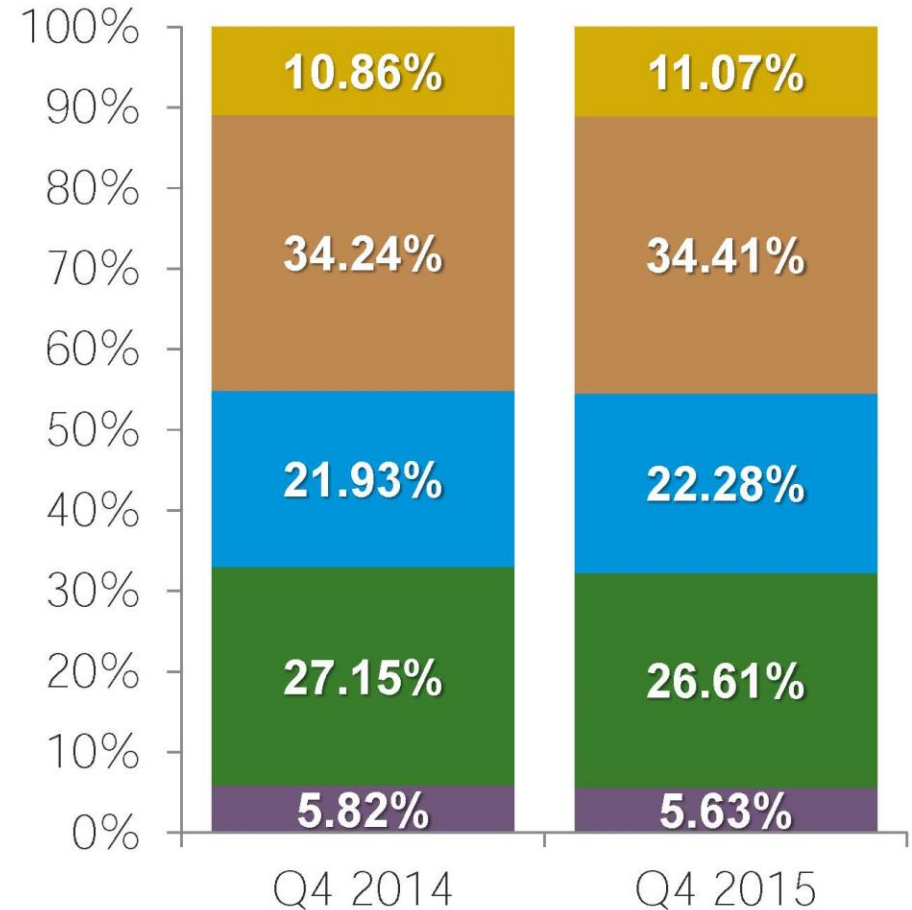


Automotive loans by risk segment

New loans



Used loans



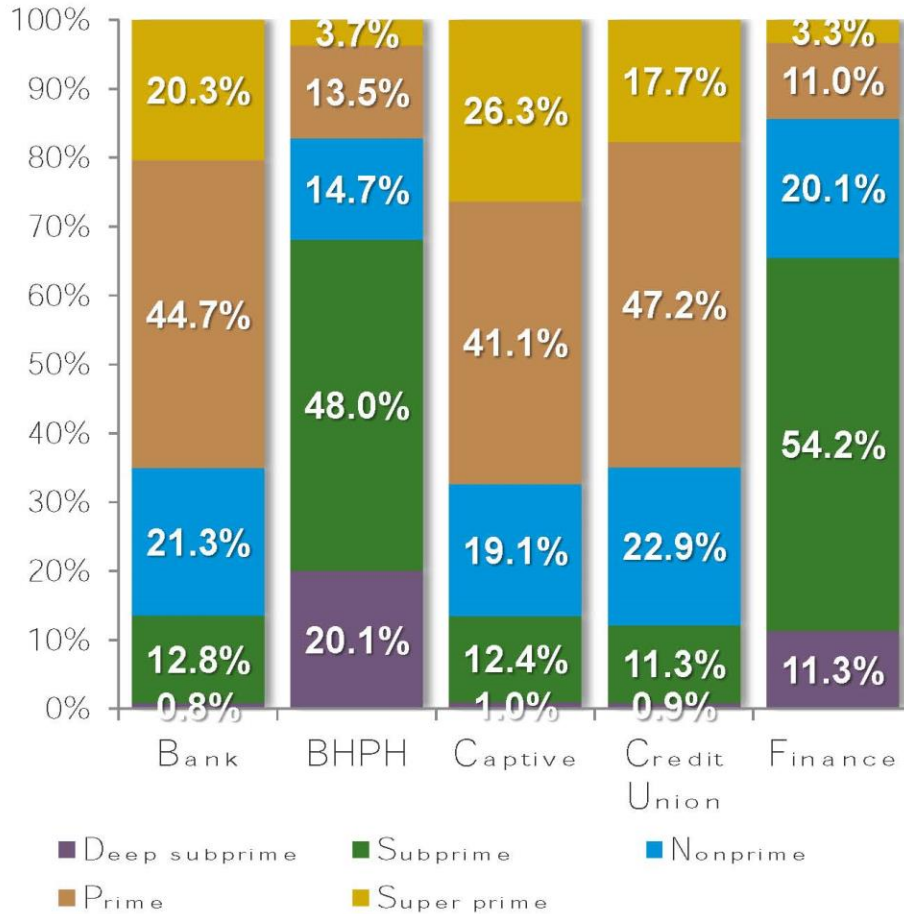
Super prime Prime Nonprime Subprime Deep subprime

Source: Experian Automotive

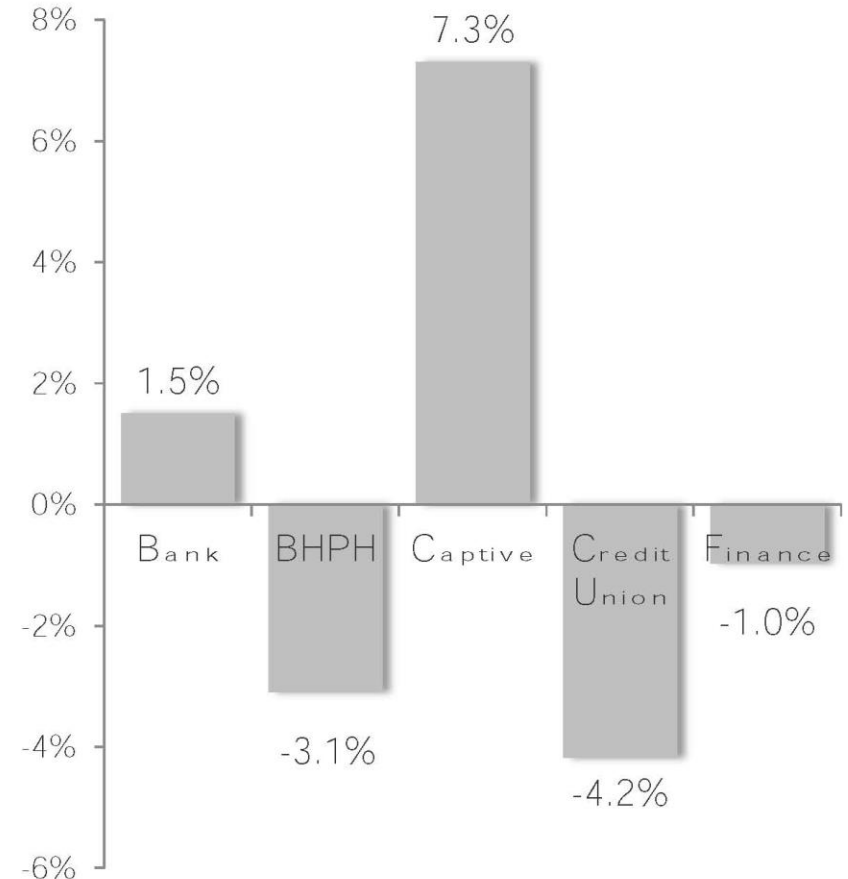


Risk distribution by lender type

Risk distribution of market share



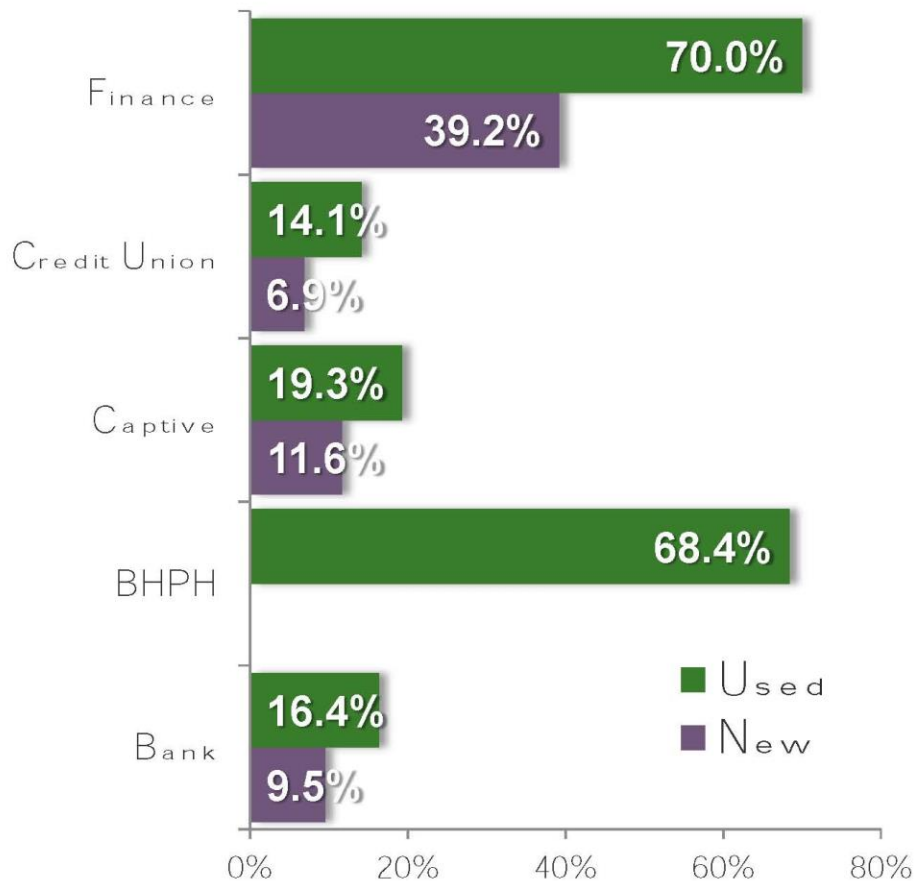
YOY change in highest risk (<600) segment





Risk distribution by lender type

Percentage of financing in highest risk segments (<600)



YOY change (bps) in highest risk segments



Step 2

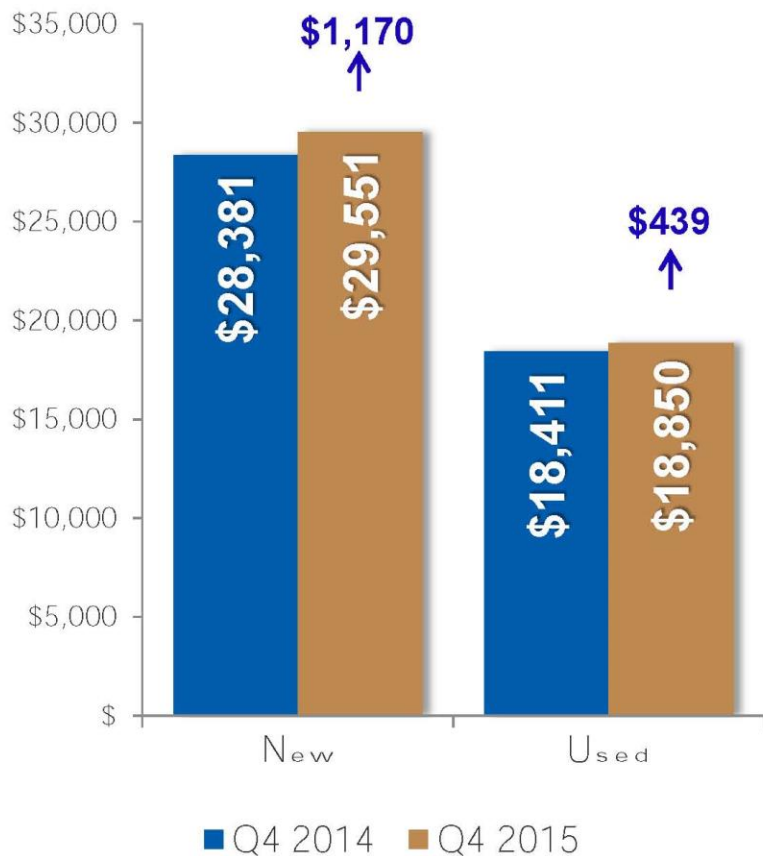
Your Business Model Dictates Your Success!



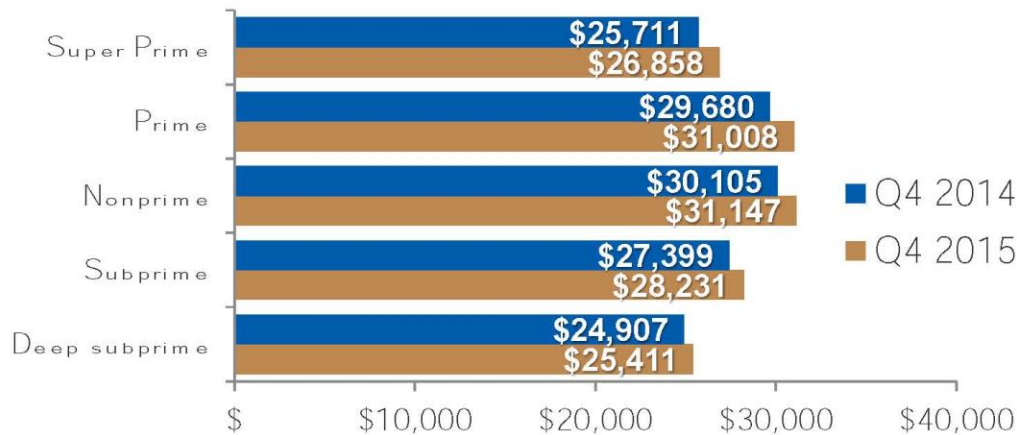


Average financing by risk segment on new and used vehicle loans

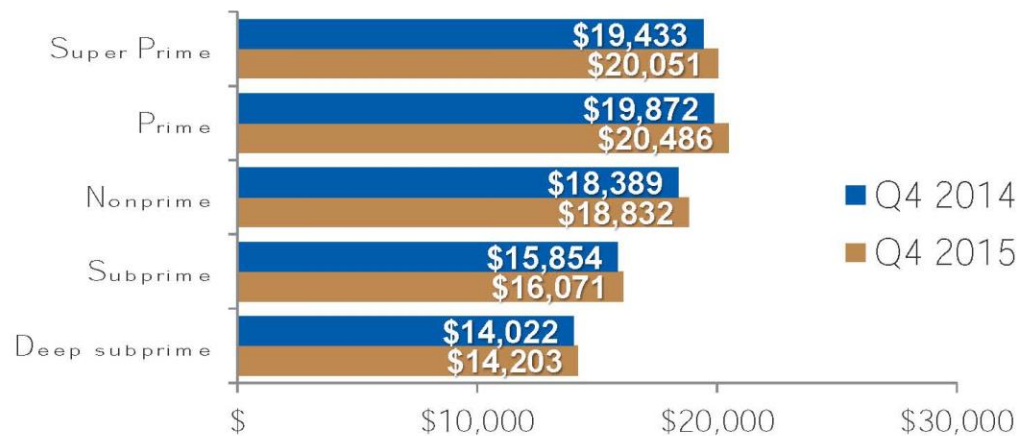
Average amount financed



Average new amount financed

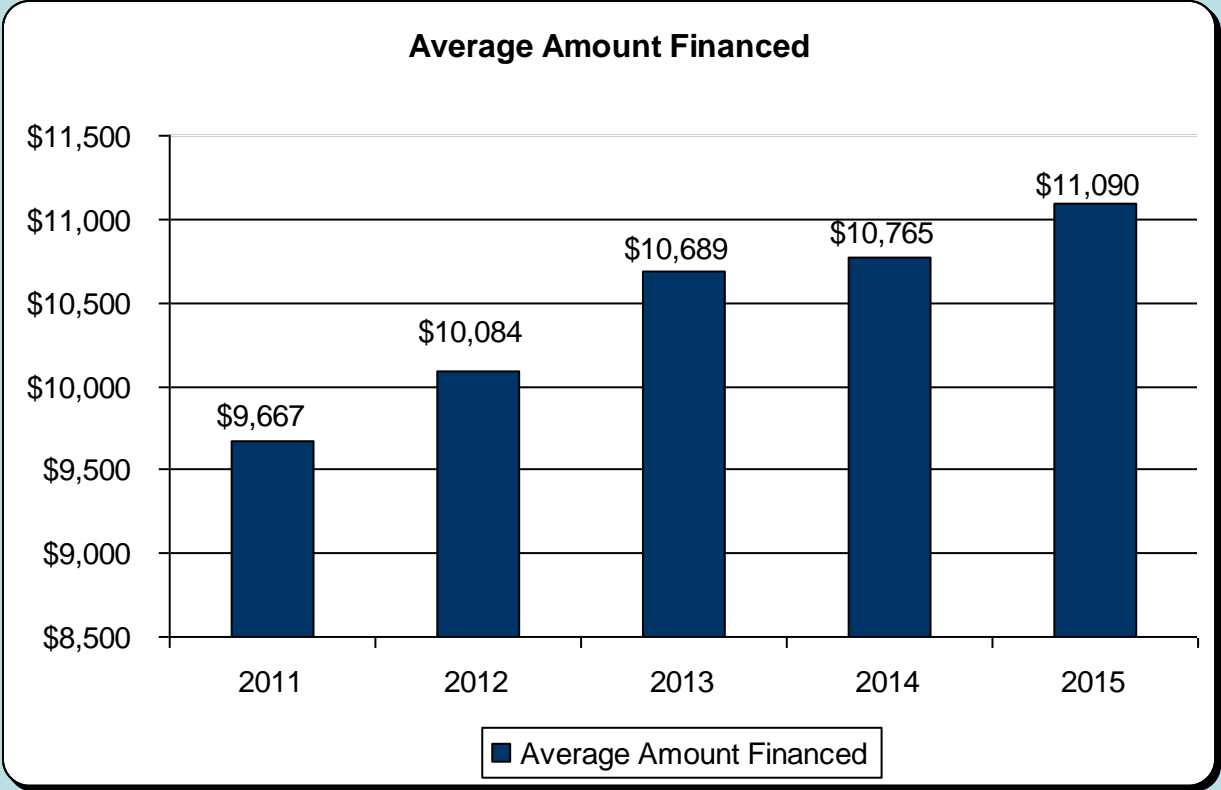


Average used amount financed



Source: Experian Automotive

Average Amount Financed

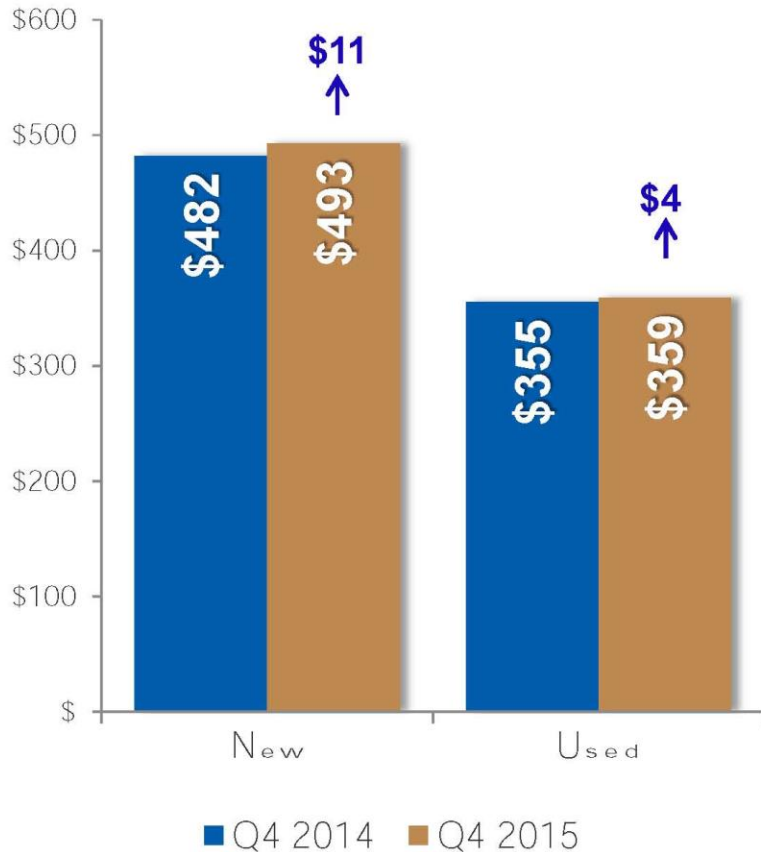


Source: Subprime Analytics – Booth #115



Average payments by risk segment on new and used vehicle loans

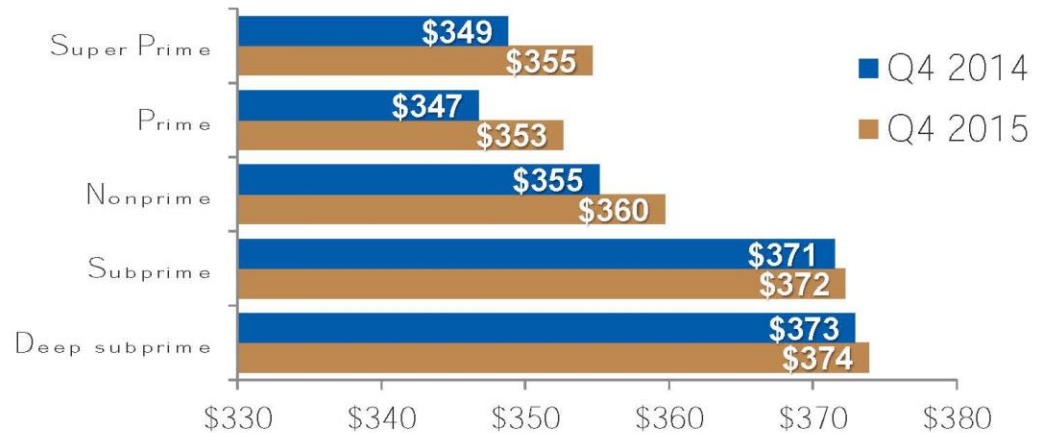
Average monthly payment



Average new monthly payment

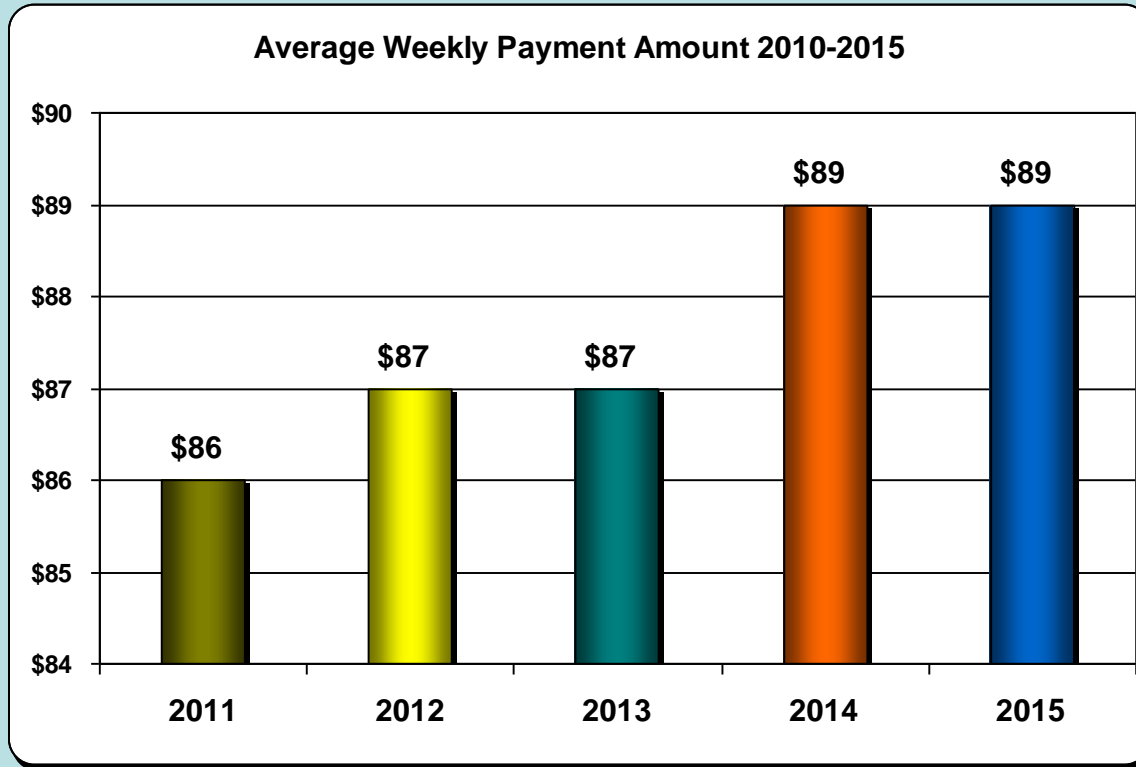


Average used monthly payment



Source: Experian Automotive

Average Payment Amount



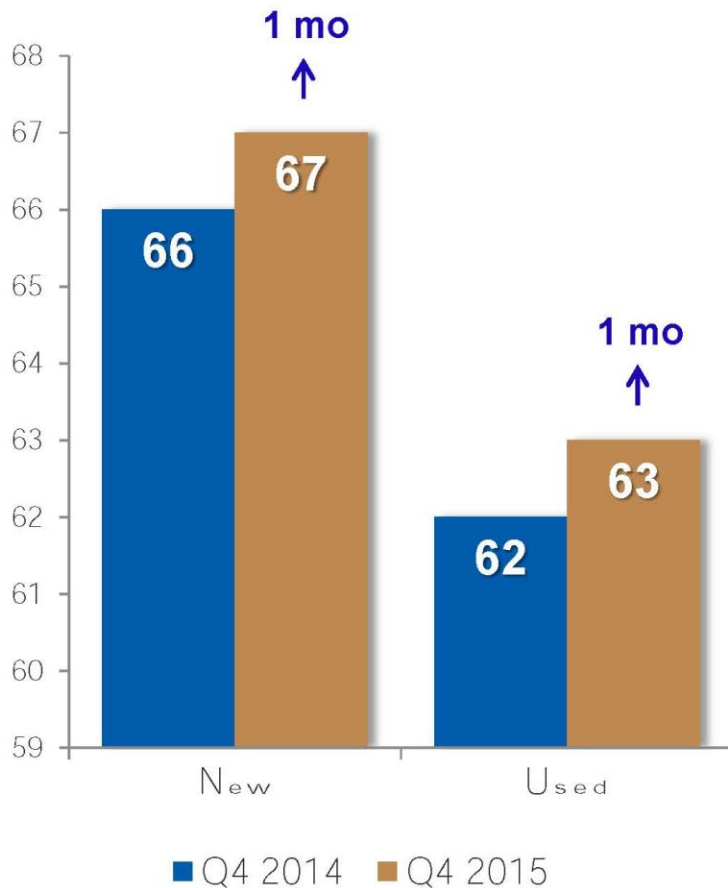
\$89 Per Week = \$386 Per Month

Source: NCM, Subprime Analytics

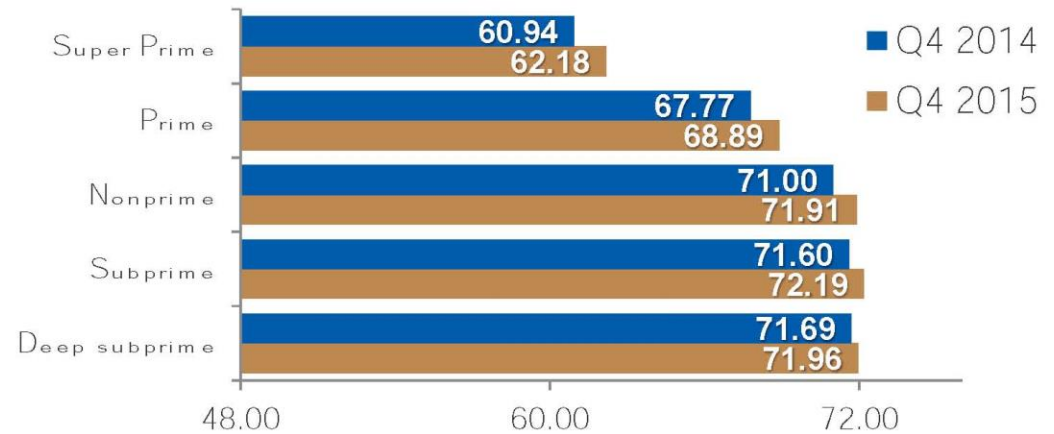


Average term by risk segment on new and used vehicle loans

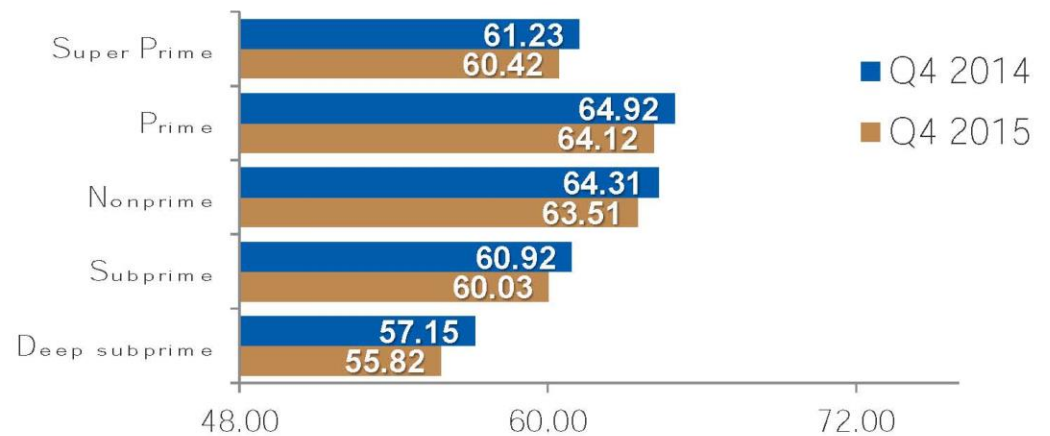
Average term



Average new loan term

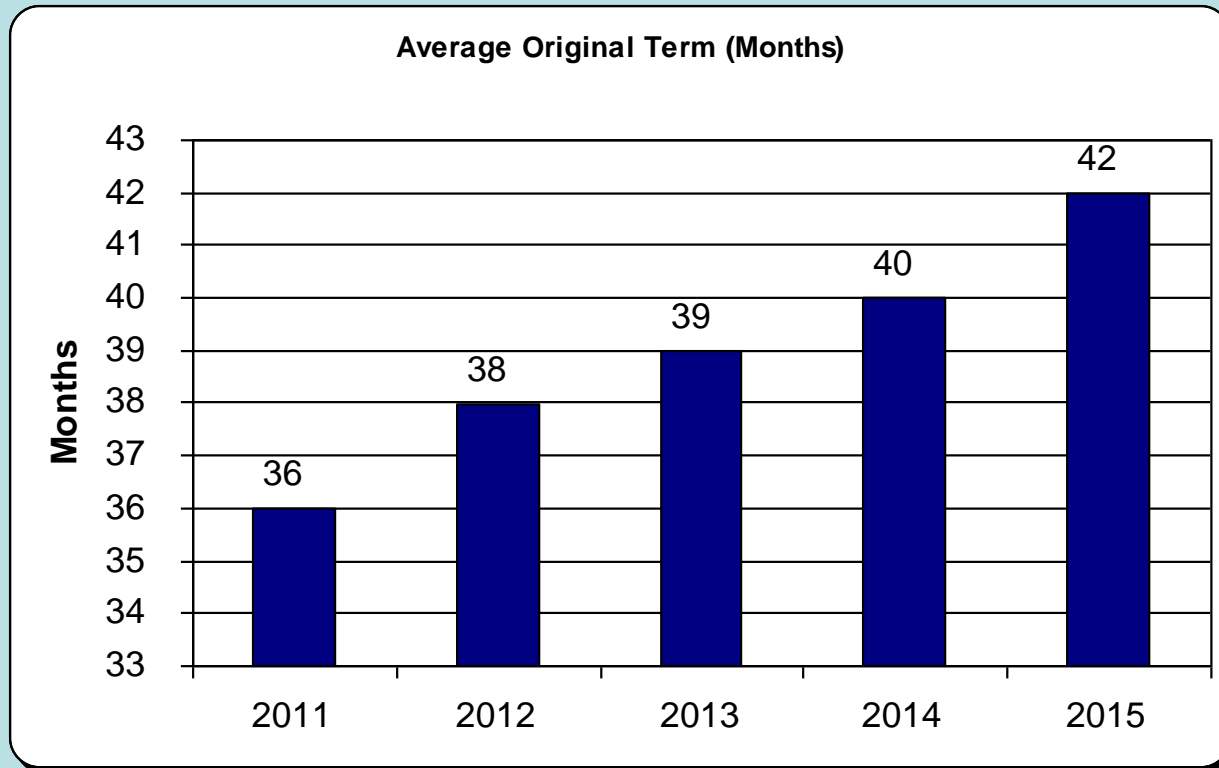


Average used loan term



Source: Experian Automotive

Average Original Term (Months)



Effective Duration is 2-6 Months Longer!

Source: Subprime Analytics – Booth #115

Opportunity Knocks From Auto Bond Defaults!

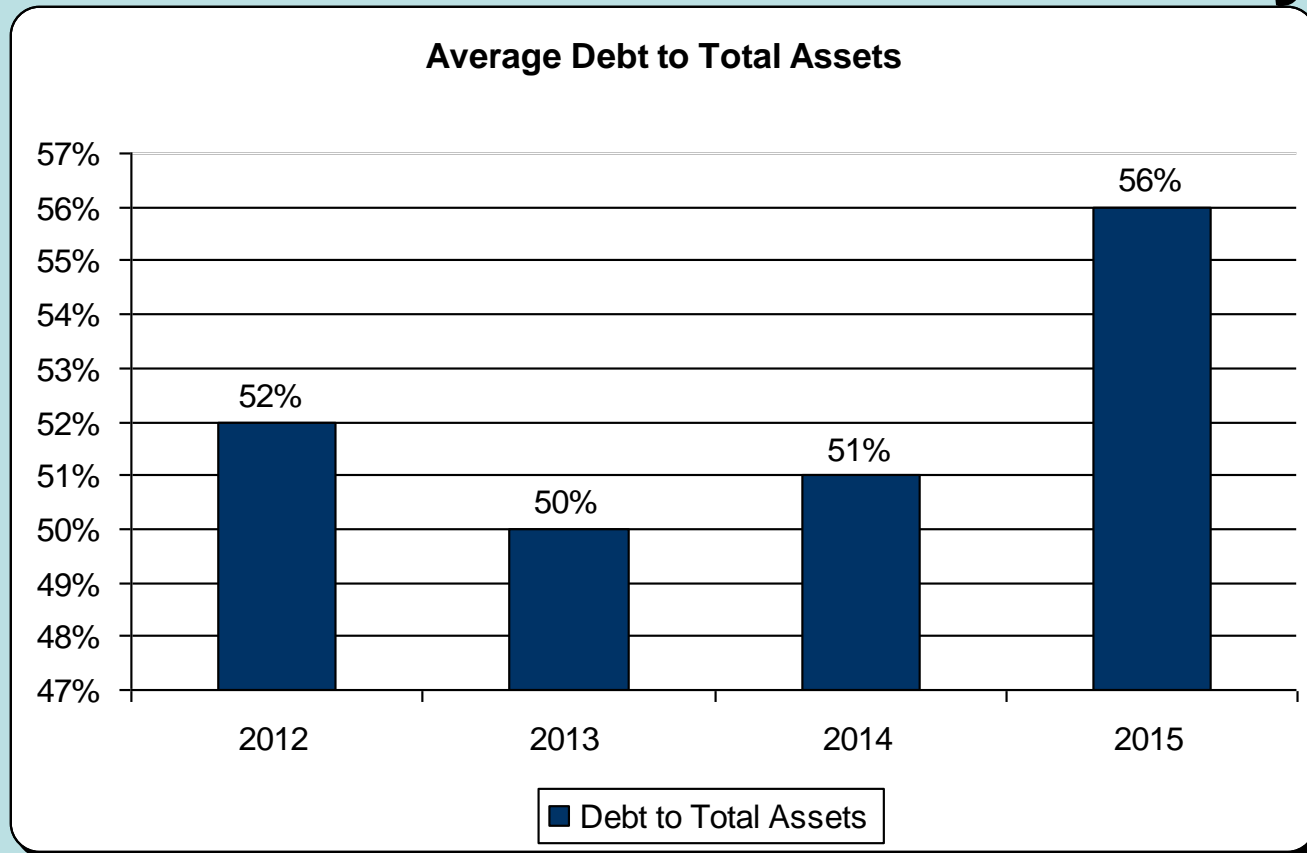
“More than 8.4% of (auto bond) borrowers with weak credit scores who took out loans in the first quarter of 2014 had missed payments by November, according to Moody’s analysis of Equifax credit-reporting data. That was the highest level since 2008.”

David Stockman Contra Corner

January 11, 2015

Step 3

Successful BHPH Operators Must Maintain Financial Flexibility!



Source: SGC Accounting

Reduce Leverage – Don't Increase It!

How Some BHPH Operators Are Competing Successfully!

Portfolio Number	Annual ROI (A)	Life of Loan ROI	Interest Method	Net Loss Rates (B)	State	Percent Portfolio Liquidated
1	49.1%	114.8%	Simple	19.83%	WI	67.2%
2	46.9%	123.7%	Simple	27.16%	IL	56.3%
3	45.9%	113.3%	Simple	34.83%	OH	57.3%
4	45.2%	124.8%	Simple	9.58%	TN	60.7%
5	38.7%	115.9%	Simple	33.45%	TX	62.6%
6	38.6%	124.7%	Simple	25.03%	PA	64.3%
Median	<u>45.6%</u>	<u>119.8%</u>		<u>26.1%</u>		<u>61.6%</u>
Average	<u>44.1%</u>	<u>119.5%</u>		<u>25.0%</u>		<u>61.4%</u>

(A) ROI calculated before operating costs, debt expense & collection costs.

(B) Loss/Liquidation Rate net of Recoveries.

Source: Subprime Analytics – Booth #115

Business Models Which Generated The Highest ROIs!

Portfolio Number	Annual ROI (A)	Average ACV	Average Down Payment	Average Term (Months)	Average Amount Financed	APR	Average Weekly Payment
1	49.1%	\$4,523	\$708	32.8	\$8,927	24.9%	\$88
2	46.9%	\$3,844	\$981	31.4	\$8,603	28.0%	\$87
3	45.9%	\$4,371	\$1,667	29.6	\$9,637	25.0%	\$110
4	45.2%	\$5,460	\$1,167	33.1	\$9,382	21.4%	\$91
5	38.7%	\$5,041	\$724	35.9	\$11,935	19.0%	\$94
6	38.6%	\$4,887	\$737	36.7	\$10,323	20.8%	\$89
Median	45.6%	\$4,705	\$859	33.0	\$9,510	23.2%	\$90
Average	44.1%	\$4,688	\$997	33.2	\$9,801	23.2%	\$93

(A) Cash ROI calculated before operating costs, debt expense & collection costs.

Source: Subprime Analytics – Booth #115

“BHPH must get compliant now!”

Compliance

NEXT EXIT



What Can You Do To Protect Your Operation?

- 1. Appoint a Chief Compliance Officer.**
- 2. Implement a complaint resolution protocol.**
- 3. Review and document your underwriting and collection procedures.**
- 4. Learn from your competitors mistakes.**
- 5. Implement the take aways from NABD 2016 on compliance best practices.**

Step 5

Develop Efficient Systems And Implement Technology

**Visit our exhibit hall to see the latest
products and services.**

**The technology has never been
better!**

Step 6

“Keeping Them Sold” Is About Customer Relationships Not Transactions!



5/19/2016

Visit Booth #115

Now Here Is Brent Carmichael, Executive Moderator For NCM

Q & A Will Follow Brent's Presentation!

Ken Shilson, CPA

www.subanalytics.com

832-767-4759

www.kenshilson.com

Booth #115



www.bhphinfo.com



www.subanalytics.com

NABD 2016

INDUSTRY TRENDS & BENCHMARKS

Presented May 25, 2016
by Brent Carmichael



INDUSTRY TRENDS & BENCHMARKS

- + NCM Buy Here Pay Here (BHPH) 20 Group Data
 - Monthly data reporting
 - \$850 million+ in outstanding receivables
 - More than 65,000 units sold

WHAT TO DO ABOUT SUBPRIME

- + Take it on
- + Get into it
- + Dip down
- + Ride it out

TAKE IT ON

ncm[★]
ASSOCIATES

TAKE IT ON

+ Pros

- Sell more vehicles
- Inventory availability
- Cash flow
- Step up for repeats

TAKE IT ON

- + Cons:
 - Lining up financing
 - Inventory cost
 - Sales process
 - Shrinking customer base

GET INTO IT



ncm[★]
ASSOCIATES

GET INTO IT

+ Pros:

- Keep all the money
- No hoops
- Inventory availability
- Keep the repeats

GET INTO IT

- + Cons:
 - Cash flow
 - Inventory cost
 - Competition
 - Risk



DIP DOWN

nem[★]
ASSOCIATES

DIP DOWN

+ Pros:

- Sell more vehicles
- Grow customer base
- Inventory availability

DIP DOWN

- + Cons:
 - Increased delinquencies
 - Increased losses
 - Reconditioning
 - Morale

RIDE IT OUT



RIDE IT OUT

+ Pros:

- No effort
- Cash flow
- House clean

RIDE IT OUT

- + Cons:
 - Shrinking customer base
 - Cash flow
 - Downsizing

ABOUT US

ncm[★]
ASSOCIATES

ABOUT NCM ASSOCIATES

Pioneered the automotive 20 Group in 1947.

- + 20 Groups
- + Education
- + Benchmark[®] tools
- + Business intelligence
- + Consulting
- + Travel support

ncmassociates.com/bhph

VISIT US AT BOOTH #223

bcarmichael@ncmassociates.com





Text TRENDS to 77513
and take a quick session survey

Texting solution provided by Solutions by Text